GALA CORAL
GROUP

Annual Report and Financial Statements

Gala Coral Group Limited
For the year ended 26 September 2015

Registered Number: 07254686

Gala Coral Group Limited
Directors and Advisors

DIRECTORS

R W Templeman (Non Executive Chairman)
C A Leaver (Chief Executive Officer)
P Bowtell (Chief Financial Officer)
C Atwood (Non Executive Director)
D R Kornstein (Non Executive Director)
G B C Hardy (Non Executive Director)
W T Walsh (Non Executive Director)

SECRETARY

H A Willits

INDEPENDENT AUDITORS

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Chartered Accountants and Statutory Auditors
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The directors present their strategic report on the Gala Coral Group for the year ended 26 September 2015.

RESULTS

The results of the Group for the year ended 26 September 2015 are set out on page 17 and show an operating profit for the year before other operating income and exceptional items, of £161.6 million (2014: £165.0 million). The loss for the financial year after taxation was £111.1 million (2014: £160.3 million) and includes £193.4 million of exceptional operating costs (2014: £128.4 million).

FULL YEAR HIGHLIGHTS

- Total Coral Group EBITDA[1/2] of £205.3 million was £2.7 million or 1% ahead of last year
- After adjusting for regulatory impacts[3] and the World Cup[4], underlying EBITDA was 30% ahead
- Online EBITDA[1/2] of £56.2 million was £6.7 million or 14% ahead of last year and was 99% ahead on an underlying basis after adjusting FY14 for regulatory impacts[3] and the World Cup[4]. Online net revenue was 36% ahead, driven by 972k first time depositors
- Despite the introduction of the Point of Consumption tax during Q1, and the increase in MGD and introduction of FOBT high stakes restrictions at the end of Q2, the Group has grown EBITDA[1/2] in the second half of the year.
- Announced the proposed merger of the Coral Group with Ladbrokes PLC, subject to clearance by certain regulatory authorities including the Competition and Markets Authority ("CMA")
- On 26th October 2015 announced the sale of Gala Retail to Caledonia Investments for £241 million.

{1} EBITDA is stated pre-exceptional items
{2} EBITDA includes all revenue and expenses for the Coral Group and excludes Gala Retail (Q4 FY15: £12.5 million and Q4 FY14: £8.7 million and FY15: £50.6 million and FY14: £32.9 million), the Casinos sold in FY14 (Q4 FY15: £0.0 million and Q4 FY14: £0.0 million, FY15: £0.0 million and FY14: £0.2 million), Propco rental income (Q4 FY15: £0.0 million and Q4 FY14: £6.5 million, FY15: £5.8 million and FY14: £28.2 million) and High Roller activity (Q4 FY15: £0.0 million and Q4 FY14: £0.0 million, FY15: -£7.6 million and FY14: £0.0 million)
{3} FY14 Full Year Coral Group EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption Tax (-£20.4 million, of which Online -£19.8 million) and the increase in rate of MGD to 25% and DCMS FOBT higher staking restrictions (-£16.5 million), calculated as if all changes had been in existence for the corresponding periods in FY14
{4} World Cup EBITDA impact (previously reported as £9.4 million) is now stated net of "cannibalisation" of other OTC products in Coral Retail, which is estimated at £1.5 million, resulting in a restated World Cup impact of £7.9 million, of which £4.5 million related to Coral Retail, £1.9 million related to Eurobet Retail and £1.5 million related to Online
{5} Statutory turnover of £1,007.6 million includes Coral Retail vending machine income of £2.2 million which is excluded from Net Revenue

QUARTER 4 HIGHLIGHTS

- Turnover from Coral Group was 3% ahead of the prior year
- EBITDA from Coral Group was £0.2 million ahead of the prior year and £14.4 million ahead on an underlying basis.

Coral Retail

CORAL RETAIL	QUARTER 4{2}			FULL YEAR{2}		
	FY15	FY14	Var %	FY15	FY14	Var %
KPIs						
OTC gross win margin (%)	16.2%	18.0%	(1.8pp)	17.1%	17.5%	(0.4pp)
Average number of LBOs	1,850	1,841	0%	1,843	1,821	1%
Average number of Machines	7,381	7,347	0%	7,352	7,258	1%
Gross win / machine / week (£)	975	946	3%	986	957	3%
P&L	**£'m**	**£'m**		**£'m**	**£'m**	
OTC amount staked	399.4	385.3	4%	1,724.3	1,761.4	(2%)
Machines amount staked	2,139.6	2,148.4	(0%)	9,538.0	9,461.1	1%
Stadia and Other	3.9	3.9	0%	16.3	16.8	(3%)
Total amounts staked	**2,542.9**	**2,537.6**	**0%**	**11,278.6**	**11,239.3**	**0%**
OTC gross win	64.7	69.4	(7%)	294.7	309.0	(5%)
Machines gross win	86.4	83.2	4%	376.8	361.0	4%
Stadia and Other	2.4	2.3	4%	10.6	10.4	2%
Total gross win	**153.5**	**154.9**	**(1%)**	**682.1**	**680.4**	**0%**
Turnover	**150.9**	**155.2**	**(3%)**	**676.9**	**679.7**	**(0%)**
OTC net revenue	64.6	68.9	(6%)	293.4	307.6	(5%)
Machines net revenue	84.7	82.9	2%	371.9	357.9	4%
Stadia and Other	2.4	2.3	4%	10.6	10.4	2%
Total net revenue{3}	**151.7**	**154.1**	**(2%)**	**675.9**	**675.9**	**0%**
Gross profit	**112.0**	**118.1**	**(5%)**	**503.9**	**514.7**	**(2%)**
Operating Costs	(84.2)	(88.7)	5%	(362.7)	(371.7)	2%
EBITDA{1}	**27.8**	**29.4**	**(5%)**	**141.2**	**143.0**	**(1%)**

Full Year

Coral Retail EBITDA{1} of £141.2 million was £1.8 million or 1% behind last year. EBITDA was £19.2 million or 16% ahead after adjusting FY14 for the impacts of regulation (£16.5 million) {4} and the World Cup (£4.5 million).

OTC stakes were £37.1 million or 2% behind last year but £0.7 million ahead excluding the impacts of the World Cup and a large staking individual in the prior year. Staking levels in the second half of the year were particularly encouraging, growing 3% year-on-year (excluding the World Cup).

OTC net revenue was £14.2 million or 5% behind last year and £8.9 million or 3% behind excluding the World Cup. OTC margins were 0.4pp behind, with both Grand National and Cheltenham margins behind the excellent levels achieved in FY14, and football margins failing to bounce back from the abnormally low margins seen last year.

Machines net revenue was £14.0 million or 4% ahead of last year. This was despite the introduction of the DCMS high stakes restriction that was implemented in April, which is estimated to have adversely impacted net revenue by 5% and is not expected to improve. Machines gross-win-per-machine-per-week increased by 3% to £986, driven by an increased range of exclusive slots and multichannel content. B3 slots now account for 31% of Machines gross win.

Operating costs were 2% lower than last year, driven by the annualisation of payroll savings and lower content costs. The total number of LBOs at the end of FY15 was 1,850, an increase of 17 over the previous year, with 33 shops opening and 16 shops closing.

{1} EBITDA is stated pre-exceptional items
{2} Quarter 4 represents the 12 week periods ending 26 September 2015 and 27 September 2014. Full year represents the 52 week periods ending 26 September 2015 and 27 September 2014
{3} Net revenue is calculated as gross win less free bets
{4} The regulatory/tax impact has been calculated as if all changes had been in existence for the corresponding periods in FY14

Coral Retail (continued)

Quarter 4

Coral Retail EBITDA[1] of £27.8 million was £1.6 million or 5% behind last year. Adjusting FY14 for the adverse impact of MGD/high stakes restriction (£7.2 million)[4] and the World Cup (£0.2 million), EBITDA was £5.8 million or 26% ahead. OTC net revenue was 6% behind last year, with gross win margin 1.8pp lower offsetting a 4% increase in stakes (5% excluding the World Cup). Machines net revenue was 2% ahead despite the impact of the restriction on high stakes (>£50) play.

{1} EBITDA is stated pre-exceptional items
{2} Quarter 4 represents the 12 week periods ending 26 September 2015 and 27 September 2014. Full year represents the 52 week periods ending 26 September 2015 and 27 September 2014
{3} Net revenue is calculated as gross win less free bets
{4} The regulatory/tax impact has been calculated as if all changes had been in existence for the corresponding periods in FY14

Eurobet Retail

EUROBET RETAIL	QUARTER 4[2]			FULL YEAR[2]		
	FY15	FY14	Var %	FY15	FY14	Var %
KPIs						
LBO sports gross win margin (%)	20.5%	28.9%	(8.5pp)	16.6%	23.0%	(6.4pp)
Average number of licences	797	821	(3%)	820	739	11%
P&L	**£'m**	**£'m**		**£'m**	**£'m**	
Sports amount staked	51.8	44.5	16%	285.2	240.4	19%
Virtual amounts staked	26.7	32.1	(17%)	140.3	104.9	34%
Other amounts staked	8.5	6.3	35%	40.3	33.2	21%
Total amounts staked	**87.0**	**82.9**	**5%**	**465.8**	**378.5**	**23%**
Sports gross win	10.6	12.9	(18%)	47.5	55.3	(14%)
Virtual gross win	4.6	5.6	(18%)	23.9	18.0	33%
Other gross win	1.2	2.2	(45%)	5.9	10.2	(42%)
Total gross win	**16.4**	**20.7**	**(21%)**	**77.3**	**83.5**	**(7%)**
Sports net revenue	10.6	12.9	(18%)	47.5	55.3	(14%)
Virtual net revenue	4.6	5.6	(18%)	23.9	18.0	33%
Other net revenue	1.2	2.2	(45%)	5.9	10.2	(42%)
Turnover/Total net revenue[3]	**16.4**	**20.7**	**(21%)**	**77.3**	**83.5**	**(7%)**
Gross profit	**5.9**	**7.7**	**(23%)**	**24.9**	**28.7**	**(13%)**
Operating Costs	(3.1)	(3.5)	11%	(11.5)	(9.9)	(16%)
EBITDA[1]	**2.8**	**4.2**	**(33%)**	**13.4**	**18.8**	**(29%)**

Full Year

Eurobet Retail EBITDA[1] was £5.4 million or 29% behind last year (£3.4 million or 20% behind on a constant currency basis) due to adverse football results (full year impact £3.8 million) and the World Cup in FY14 (£1.9 million).

Sports stakes were 19% ahead of last year (39% excluding the World Cup and on a constant currency basis) partly driven by the increased estate size (FY15 average LBOs 820, FY14: 739) and shop relocations. The shop optimisation programme, whereby 250 shops are being relocated to more profitable locations, is nearing completion with 210 units reopened by the end of FY15. The programme is expected to complete during the first quarter of FY16. Bet-in-Play stakes growth of 85% (100% on a constant currency basis) also contributed to growth, and by the year end represented 20.4% of retail sports stakes. Eurobet's share of the retail sports betting market in the second half of FY15 was 14.8%, an increase of 3.0pp on the prior year.

Virtual net revenue was £5.9 million or 33% ahead of last year (44% on a constant currency basis) primarily due to the annualisation of the product's launch in quarter 1 last year. However, the Virtual market softened significantly during the second half, with Eurobet Retail recording a 17% fall in staking levels in quarter 4 (10% on a constant currency basis), in-line with the market, as customers began to rebalance their spending towards sports betting, and Bet-In-Play in particular. Eurobet's share of the Virtual market at the end of FY15 was 0.3pp higher than FY14 at 17.3%, well ahead of its "natural" share.

{1} EBITDA is stated pre-exceptional items
{2} Quarter 4 represents the 12 week periods ending 26 September 2015 and 27 September 2014. Full year represents the 52 week periods ending 26 September 2015 and 27 September 2014
{3} Net revenue is calculated as gross win less free bets

Eurobet Retail (continued)

Operating costs were £1.6 million or 16% higher than last year due to costs associated with the increased estate size (back office and marketing).

Quarter 4

Eurobet Retail EBITDA{1} of £2.8 million was £1.4 million or 33% behind last year (£0.4 million or 13% excluding the World Cup and on a constant currency basis). Sports stakes were 16% ahead of last year (36% ahead excluding the World Cup and on a constant currency basis), however sports gross win margin was significantly behind last year's above average level.

{1} EBITDA is stated pre-exceptional items
{2} Quarter 4 represents the 12 week periods ending 26 September 2015 and 27 September 2014. Full year represents the 52 week periods ending 26 September 2015 and 27 September 2014
{3} Net revenue is calculated as gross win less free bets

Online

ONLINE	QUARTER 4{2}			FULL YEAR{2}		
	FY15	FY14	Var %	FY15	FY14	Var %
KPIs						
Actives - Coral.co.uk ('000)	362.0	284.9	27%	908.7	758.4	20%
Actives - Gala websites ('000)	184.0	154.4	19%	463.4	420.7	10%
Actives - Eurobet.it ('000)	97.2	69.7	39%	193.8	147.8	31%
Sports GW% - Coral.co.uk (%)	7.8%	6.7%	1.1pp	7.0%	6.7%	0.3pp
Sports GW% - Eurobet.it (%)	11.0%	17.6%	(6.6pp)	10.8%	15.3%	(4.5pp)
P&L	**£'m**	**£'m**		**£'m**	**£'m**	
Amounts staked	**1,540.3**	**1,182.6**	**30%**	**6,331.4**	**4,700.5**	**35%**
Net Revenue - Coral.co.uk	30.9	20.6	50%	119.0	73.3	62%
Net Revenue - Gala websites	21.7	18.0	20%	92.0	75.0	23%
Net Revenue - Eurobet.it	8.3	8.1	3%	36.8	34.3	7%
Turnover/Total Net revenue{3}	**60.9**	**46.7**	**30%**	**247.8**	**182.6**	**36%**
Gross profit	**40.5**	**36.2**	**12%**	**166.9**	**138.9**	**20%**
Operating Costs	(13.0)	(11.9)	(9%)	(54.6)	(42.7)	(28%)
Marketing	(12.3)	(9.6)	(28%)	(56.1)	(46.7)	(20%)
EBITDA{1}	**15.2**	**14.7**	**3%**	**56.2**	**49.5**	**14%**

Full Year

Online growth was very strong with net revenue 36% ahead of last year. We estimate that the combined Coral and Gala websites are the fastest growing in the UK online gambling market, adding more net revenue than any other listed peer in both cash and percentage terms, and reaching a market share of over 7%.

Online EBITDA{1} of £56.2 million was £6.7 million or 14% ahead of last year. EBITDA was 99% ahead after adjusting for the impact of Point of Consumption tax (£19.8 million){4} and the World Cup (£1.5 million).

During the year 972,000 first-time depositors were acquired, at an average CPA of £52{5} which is well below market comparators.

Advanced data analytics and business intelligence tools have been key to our acquisition strategy. Life-time value modelling enables a rigorous approach to managing returns on marketing investment. Business Intelligence has also helped drive improved retention and player value. Churn prevention models have enabled time appropriate interventions to reduce churn and CRM strategies better informed by data analytics have been employed to increase player value.

{1} EBITDA is stated pre-exceptional items
{2} Quarter 4 represents the 12 week periods ending 26 September 2015 and 27 September 2014. Full year represents the 52 week periods ending 26 September 2015 and 27 September 2014
{3} Net revenue is calculated as gross win less customer bonuses
{4} The regulatory / tax impact has been calculated as if all changes had been in existence for the corresponding periods in FY14
{5} Cost per acquisition calculated as acquisition marketing costs and affiliate costs divided by first time depositors

Online (continued)

Mobile usage continues to grow and now represents over 70% of Coral sports and gaming stakes, over 50% of Galabingo.com stakes and 37% of Eurobet.it sports stakes.

Coral.co.uk

Coral.co.uk net revenue of £119.0 million was £45.7 million or 62% ahead of last year. Sports net revenue of £41.9 million was £16.9 million or 68% ahead, with stakes 58% ahead and sports spend-per-head 31% ahead reflecting an improved sportsbook product range, a maturing customer base and the acquisition of higher spending multichannel actives.

Gaming net revenue of £77.1 million was £28.8 million or 60% ahead driven by a strong pipeline of new games, cross-sell from sports into gaming and high levels of multi-channel play.

Galabingo.com

Galabingo.com net revenue was of £78.0 million was £16.1 million or 26% ahead of last year with TV marketing campaigns helping deliver strong player acquisition and reactivation. More detailed customer segmentation, enhanced VIP customer service and targeted CRM drove an increase in spend-per-head of 25% and significantly reduced churn rates (9pp lower year-on-year).

Galacasino.com

Galacasino.com net revenue was £13.1 million was £0.3 million or 2% ahead of last year, with a 20% increase in actives largely offset by a reduction in VIP spend-per-head.

Eurobet.it

Eurobet net revenue of £36.8 million was £2.5 million or 7% ahead of last year (£6.4 million or 21% ahead excluding the World Cup and on a constant currency basis), with sports net revenue of £17.0 million, £3.8 million or 29% ahead despite the poor Italian football margins experienced during the first half of the year (£4.6 million). Sports stakes were 90% ahead of the prior year.

Eurobet.it maintained its market share at around 10% despite the regularisation of bet365 at the end of FY14, which increased the size of the regulated market by around 40%. Eurobet's multi-channel offering is well established and provides a key advantage over non-land based operators. During FY15 31% of new sign-ups were acquired through shops. Combined with a significant uplift in direct acquisitions, this has helped establish Eurobet.it as the number 2 operator in the Italian online sports betting market behind bet365. The level of multichannel sign-ups is expected to further increase following the relocation of licences to previously untargeted areas, as part of the ongoing shop optimisation programme.

Operating costs

Operating costs increased by 28% to £54.6 million, driven by increased headcount and volume related finance charges. Marketing costs were 20% higher than last year at £56.1 million, representing 22.6% of Online net gaming revenue.

During the year the Group also ceased to operate Gala.se which generated gross profit of £0.7 million and an EBITDA loss of £0.2 million.

Quarter 4

Online EBITDA[1] of £15.2 million was £0.5 million or 3% ahead of last year. Adjusting FY14 for the impact of Point of Consumption tax (£6.1 million)[4] and the World Cup (loss of £0.1 million), FY15 EBITDA was £6.5 million or 75% ahead. Coral.co.uk net revenue was 50% ahead of last year and Galabingo.com net revenue was 21% ahead.

(1) EBITDA is stated pre-exceptional items
(2) Quarter 4 represents the 12 week periods ending 26 September 2015 and 27 September 2014. Full year represents the 52 week periods ending 26 September 2015 and 27 September 2014
(3) Net revenue is calculated as gross win less customer bonuses
(4) The regulatory / tax impact has been calculated as if all changes had been in existence for the corresponding periods in FY14
(5) Cost per acquisition calculated as acquisition marketing costs and affiliate costs divided by first time depositors

Gala Retail

GALA RETAIL	QUARTER 4[2]			FULL YEAR[2]		
	FY15	FY14	Var %	FY15	FY14	Var %
KPIs[3]						
Admissions ('000)	3,530	3,490	1%	15,311	15,835	(3%)
Spend per head (£)	34.04	34.34	(1%)	34.55	33.99	2%
P&L[3]	**£'m**	**£'m**		**£'m**	**£'m**	
Net Income	**66.9**	**65.4**	**2%**	**294.7**	**290.2**	**2%**
Net revenue[4]	**62.5**	**62.1**	**1%**	**275.4**	**277.3**	**(1%)**
Gross profit	**49.5**	**49.1**	**1%**	**216.8**	**204.7**	**6%**
Operating Costs	(29.4)	(31.1)	5%	(131.5)	(130.6)	(1%)
Rent (including propco rent)	(7.6)	(9.3)	18%	(34.7)	(41.2)	16%
EBITDA[1]	**12.5**	**8.7**	**44%**	**50.6**	**32.9**	**54%**

Full Year

EBITDA of £50.6 million was £17.7 million or 54% ahead of the prior year.

Gross profit was £12.1 million or 6% ahead with annualisation of the reduction in Gross Profit Tax to 10% and strong performance in Machines more than offsetting a decline in Party Xtra. The strong performance in Machines was largely driven by an increase in spend per head of 7% which more than offset the 3% admissions decline, a decline which was the driver of the year on year reduction in Party Xtra gross profit.

Operating costs were £5.6 million or 3% lower than the prior year primarily representing the reduction in rent costs. This reduction followed the renegotiation of rents on the properties formerly owned by 2005 Propco Three Limited.

{1} EBITDA is stated pre-exceptional items
{2} Quarter 4 represents the 12 week periods ending 26 September 2015 and 27 September 2014. Quarter 4 year to date represents the 52 week periods ending 26 September 2015 and 27 September 2014
{3} Results are for the total estate
{4} Net revenue is calculated as net income less added prize money and vouchers

Exceptional items

Exceptional items in the year amounted to a £193.4 million charge (2014: £128.4 million). Included within exceptional items were non-cash charges of £171.3 million (2014: £8.5 million) relating to the impairment of assets on Gala Retail and £1.4 million (2014: £10.3 million) relating to FRS 20 "Share based payments". Exceptional items also included restructuring costs (net of VAT rebates) of £12.7 million (2014: £4.8 million). These primarily related to costs associated with a number of corporate transactions including a possible IPO, the proposed merger with Ladbrokes PLC and the sale of the Gala Retail business. Exceptional items also contained a £3.0 million net release (2014: £1.4 million) of onerous lease provisions and an £11.0 million charge (2014: £106.2 million) resulting from a write down of assets including those relating to the changes in regulation affecting the Coral Retail LBO estate.

Profit/(loss) on sale of fixed assets and subsidiaries

The profit on disposal of £90.0 million in the year (2014: £7.3 million) relates primarily to the disposal of properties in 2005 Propco Three Limited.

In December 2013 the Group sold its remaining 4 UK casinos and Gala Casino (Gibraltar) Limited, a wholly owned subsidiary, for a combined consideration of £24.7 million (£23.0 million net of fees) which resulted in a profit on disposal of £8.1 million which was recognised in the 2014 profit and loss account.

Interest

Interest payable has decreased from £248.8 million in 2014 to £240.8 million in 2015 as a result of savings on external loans following a series of debt repayments in 2014 and 2015 and the liquidation of 2005 Propco Three Limited partially offset by the roll up of interest on the GCGL loan note. Key elements of the interest charge include loan and bond interest of £110.2 million (2014: £125.0 million), of which £8.0 million (2014: £20.8 million) relates to the 2005 Propco Three Limited loan. Interest payable also includes non-cash interest on GCGL loan notes of £123.4 million (2014: £107.3 million) and £7.2 million of costs (2014: £8.6 million) associated with the amortisation of debt issue costs and amortisation costs of interest rate cap premia.

In the prior year, within 'Interest payable and similar charges' was exceptional interest payable to the senior lenders of £6.2 million following certain amendments to the Senior Facilities Agreement which was agreed on 7 April 2014. In addition, an early redemption charge of £1.1 million was incurred following the repayment of £35.0 million of the senior secured notes during 2014 with a further £0.6 million of issue costs written off following the repayment.

During the year the Group received exceptional interest of £3.9 million (2014: £32.5 million) on VAT refunds from HMRC on 'Conde Nast' claims. The Group received other interest of £0.9 million (2014: £1.1 million).

During the year the Group recognised a £68.6 million credit to the profit and loss account on the de-recognition of the remaining balance on the 2005 Propco Three Limited loan following the company being entered into a Creditors Voluntary Liquidation.

Other finance costs in the year were £1.6 million (2014: £1.9 million) associated with the unwinding of discount on provisions and finance costs in relation to the pension scheme.

Cash Generated from Operations

During the year net cash inflow from operations was £240.2 million (2014: £205.1 million). This included exceptional cash payments of £25.0 million (2014: £73.0 million of which £54.5 million related to the payment of the slots VAT claim to HMRC).

Of the cash inflows, £65.9 million (2014: £69.1 million) was reinvested in the Group to fund capital expenditure. In the prior year, the Group also acquired a number of LBOs for £6.5 million.

The Group received £206.0 million (2014: £24.5 million) in net receipts from the sale of tangible assets primarily from the sale of properties in 2005 Propco Three Limited. Subsequently the Group used these 2005 Propco Three Limited proceeds and cash to repay £236.5 million of the 2005 Propco Three Limited loan.

In the year £115.2 million (2014: £95.0 million including a £32.5 million cash receipt for exceptional interest) of cash was utilised to meet interest and other financing costs. In the prior year £35.0 million was repaid on the senior secured notes and a further £32.9 million repaid on the 2005 Propco Three Limited loan.

Unlevered Opco free cashflow for the year, excluding net proceeds on sale of subsidiaries, was £165.6 million (2014: £98.3 million).

Total cash inflow for the year was £23.3 million (2014: £8.3 million).

Net Debt and Liquidity

Total net debt of £1,980.6 million (2014: £2,179.2 million) has decreased since 2014 following the sale of all the properties in 2005 Propco Three Limited, the subsequent repayment of £236.5 million and the de-recognition of £68.6 million of the remaining loan. Whilst total net debt has decreased, 'Opco' net debt has increased by £95.9 million due to the roll up of interest on the GCGL loan notes, the amortisation of debt issue costs and the Opco cash inflow of £33.9 million in the year. Opco net debt, pre GCGL loan notes has decreased by £27.9 million to £1,035.5 million.

Cash at bank and in hand of £247.9 million (2014: £224.6 million) includes cash for covenant purposes of £219.4 million (2014: £202.8 million).

	Opco 2015 £m	Propco 2015 £m	Total 2015 £m	Opco 2014 £m	Propco 2014 £m	Total 2014 £m
Senior secured credit facilities	(711.9)	-	(711.9)	(711.9)	(305.1)	(1,017.0)
Senior secured notes	(315.0)	-	(315.0)	(315.0)	-	(315.0)
Senior notes	(275.0)	-	(275.0)	(275.0)	-	(275.0)
Cash at bank and in hand	247.9	-	247.9	214.0	10.6	224.6
Gross cash net debt	(1,054.0)	-	(1,054.0)	(1,087.9)	(294.5)	(1,382.4)
Issue costs and discount	18.5	-	18.5	24.5	-	24.5
Net debt pre GCGL loan notes	(1,035.5)	-	(1,035.5)	(1,063.4)	(294.5)	(1,357.9)
GCGL loan notes (net of issue costs)	(945.1)	-	(945.1)	(821.3)	-	(821.3)
Group net debt	**(1,980.6)**	**-**	**(1,980.6)**	**(1,884.7)**	**(294.5)**	**(2,179.2)**

TAX STRATEGY

The Group's tax strategy, supported by the Board, governs the way in which the Group manages its tax affairs and reporting obligations. The objectives of the tax strategy are to:

- Comply with tax law, and the spirit of the law where clearly understood, in each territory in which we operate, ensuring that all taxes due are paid on time
- Claim available tax reliefs and incentives and plan ahead to ensure that business transactions are undertaken in a tax efficient manner
- Actively consider and manage tax risks, including reputational risk
- Forecast accurately the accounting and cash tax charges, and remove tax uncertainties as far as possible
- Maintain an open and constructive working relationship with tax authorities

The Group is recognised as being a significant contributor towards the tax revenues of the government in each of the principal territories in which it operates, in particular the UK and Italy. The tax charge as detailed in the Group Profit and Loss Account refers to corporation tax only, which is paid on profits, and so is not a reflection of the full tax contribution made by the Group.

In addition to Corporation Tax the Group also incurs: bingo duty, business rates, employer's national insurance contributions, general betting duty, greyhound betting levy, horserace betting levy, irrecoverable value added tax, machine games duty, remote gaming duty and social security tax.

During the year the Group's cost in taxes, levies and rates was £341.7 million (FY14 £300.0 million) a number that is expected to increase in FY16 as Point of Consumption taxes and Machine Games Duty at 25% annualise.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks. The occurrence, of any one of which may adversely impact the management of the Group and the execution of its growth strategies.

The following are the principal risks and uncertainties facing the Group. The risks shown are not necessarily all those associated with the Group and are not listed in priority order.

AREA	RISK	MITIGATION
Legal/Compliance	A serious breach of gaming regulations and legislation may result in the loss of the Group's operators' licences.	- Appropriate policies, processes and controls are in place in order to minimise the risk of any legal/compliance failure or breach; - Staff are made aware of requirements and given appropriate training; - Legislative and regulatory developments in the main markets in which the Group operates are monitored and assessed so that the Group can adapt to any changes and minimise any impact.
Information Security	Data loss, unauthorised intrusion or theft of data could damage the Group's reputation and customer confidence.	- Policies have been introduced including mandatory security awareness training; - The Group has invested in industry-leading data monitoring tools and a Group-wide data backup solution; - Regular PCI audits and system penetration tests are undertaken.
Fraud	Significant loss from staff or customer fraud	- Experienced audit and security staff monitor trading outlets for any unusual payments or betting/gaming activity; - Controls and processes are in place to assist in preventing loss and theft.
Employee Safety	Serious injury or death of an employee as a result of robbery or other violent incident.	The Group has undertaken the Exposure to Violence, Aggression and Conflict risk assessments and has implemented a programme of action in order to reduce the risk of violence to staff as far as possible.
Fire/Disaster	The Group could experience loss arising from fire or other major disaster.	- Fire and health and safety risk assessments are undertaken and any necessary resulting action is implemented to reduce the risk of a fire/incident; - Property and business interruption insurance is purchased annually.
Gaming Risk	With the exception of Gala Retail, due to its pari-mutuel nature, the Group's products are exposed to a varying degree of risk whereby betting outcomes can go against the Group's interests.	- There are clear pricing policies across the LBO estate which limit the maximum amounts which can be staked on individual casino table games or sporting events respectively; - The trading risk within the LBO estate is pro-actively monitored and managed by a dedicated and experienced trading team.
Regulatory changes	Changes in regulation could restrict certain product offerings.	- Whilst changes in regulation cannot be mitigated against, the Group does operate a broad portfolio of product offerings diluting the risk associated with discrete changes in regulation.

FUTURE STRATEGY

The Group will continue to focus on the growth of its Online businesses, where underlying EBITDA (pre-exceptionals) grew by 99% in the year ended September 2015. Making use of its market leading technology platform, the Group will continue to expand its broad range of content, particularly exclusive content. We will continue to utilise our state of the art analytic tools to enhance CRM capability, drive our VIP schemes, reduce churn and improve customer lifetime value.

The Group will build on its multichannel offering. In the UK this is made possible by the Coral Connect card; (an industry first) and by a co-ordinated approach, delivering the same high quality product across all channels. Connect has already achieved 325,000 sign-ups. Connect gives the Group the opportunity to recognise and reward loyalty across all channels, and gives the customer the convenience of one balance and one relationship across all of our products. Connect also allows the Group to recognise and react to identified patterns of gambling behaviour, thus forming a key part of the Group's efforts to protect people at risk of problem gambling. Multichannel is already hugely successful in Italy, where over 50% of online deposits are made in retail premises.

In Italy, the Group has successfully completed the roll out of all 500 new licences. We will now cement its position as the number 1 specialist sports betting operator, and deliver further growth through:

1) Ongoing focus on estate optimisation, making use of our flexible franchise model to relocate underperforming licences.
2) Delivery of new and improved product as regulation permits.
3) Continued work with the Italian regulator to ensure a level playing field for regulated operators and a decline in the illegal market.

By order of the Board

H A Willits
Company Secretary

30 November 2015

The directors present their annual report and the audited financial statements of Gala Coral Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 26 September 2015. The Group prepares its financial statements to the last Saturday in September. As a result of this the Group benefits from an additional 53rd week of trading in certain years (last 53 week year was 2012).

BRANCHES OUTSIDE THE UK

The Eurobet Retail segment comprises betting shops operated under franchise arrangements in Italy. The Online segment operates online sports betting, bingo, casino and other gaming products. The Group's Online operations are based in both Gibraltar and Italy and Eurobet Retail is based solely in Italy.

FUTURE DEVELOPMENTS

The anticipated future developments of the Group have been discussed within the Strategic Report.

DIVIDENDS

No dividends have been paid or proposed in the year (2014: £nil)

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable contributions in the year amounted to £0.8 million (2014: £0.8 million), of which £0.7 million was donated to The GREaT Foundation (2014: £0.7 million), and the remaining donations were mainly to national charities and other industry-related charities. The Group made contributions of £7,450 during the year (2014: £nil) to the Liberal Democrats.

FINANCIAL RISK MANAGEMENT

The Group's financial risk management programme recognises the volatility of financial markets and therefore seeks to appropriately minimise the potential risks and exposures to the Group. The Group's funding, liquidity and financial exposures with respect to interest rate and foreign exchange risk are managed by the Group's treasury team in accordance with policies set by the Board of Directors and are subject to rigorous internal control procedures. All significant financing and hedging transactions are authorised by the Board of Directors of the parent company. The most important components of financial risk impacting the Group are interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest Rate Risk

The Group's trading income and operating cash flows are not directly linked to changes in interest rates. The Group primarily finances its operations through a variety of borrowing instruments, including senior secured notes, senior notes and senior secured credit facilities and subordinated preferred equity certificates at the ultimate parent company which are on-lent to the Group in the form of loan notes (GCGL loan notes). The Group's borrowings are mostly denominated in Sterling. The senior secured notes and senior notes bear a fixed rate of interest and the senior secured credit facilities a floating rate of interest. The Group utilises purchased interest rate caps and swaptions to manage its exposure to interest rate fluctuations and a proportion of its floating rate borrowings. At the year end approximately 80% of the Group's net borrowings were hedged (2014: 91%).

Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full, when due. Surplus cash is invested in bank deposit accounts, money market deposits and 'AAA' rated money market funds. Counterparty risk exposures are reduced by dealing with only a limited range of financial institutions and in instruments which meet minimum credit rating criteria. Counterparty credit ratings are regularly monitored. Counterparty exposure and analysis are a key priority within the Group's treasury management processes.

FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Cash forecasts identifying the liquidity requirements of the Group are produced regularly and are reviewed in detail to ensure that sufficient headroom exists for at least the forthcoming twelve month period. The Group maintains adequate borrowings which are long term with a range of maturity dates to mitigate the liquidity risk it may face. The Group also holds significant cash balances and undrawn RCF capacity to support the business liquidity.

Foreign Currency Risk

The Group has limited exposure to foreign currency risk. The Group's functional currency is Sterling. All assets and liabilities are maintained in Sterling, with the exception of our operations in Italy and a number of foreign currency denominated bank accounts to facilitate the international operations of the Group's Online division.

The functional currency of the Italian business is the Euro. The Group has reviewed the net exposure to foreign currency risk and has concluded that no hedging is considered necessary at the current time due to the low level of actual exposure. This policy remains subject to periodic review.

See note 21 for further information on financial instruments.

POST BALANCE SHEET EVENTS

Post the year end the Group announced that it had exchanged contracts for the sale of its Gala Retail Business. Proceeds from the sale are expected to be repaid against the Group's external debt. Management have not yet calculated the profit/loss on the transaction.

Post year end the Group repaid £100.0 million on the Senior notes.

On 24 November 2015, at a General Meeting, the shareholders of Ladbrokes plc voted in favour of the proposed merger with the Coral Group.

DIRECTORS

The following served as directors during the year and up to the date of signing the financial statements:

R W Templeman
C A Leaver
P Bowtell
A Hornby (resigned 28 May 2015)
C Atwood
D R Kornstein
G B C Hardy
W T Walsh

Further information on the biographies and other appointments of the directors are available on the Group website: www.galacoral.co.uk

DIRECTORS' INDEMNITIES AND INSURANCE

The Group maintains directors' and officers' liability insurance. All of the above named directors have received an indemnity to the extent permitted by law from the Company. Neither the indemnity nor the insurance provides cover in situations where a director has acted fraudulently or dishonestly.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that all employees be given equal opportunities in respect of training, career development and promotion.

EMPLOYEE INVOLVEMENT

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. There are widely established arrangements involving briefings, staff consultancy committees and the publication of newsletters.

It is Group policy that there shall be no discrimination in respect of age, sex, colour, religion, race, nationality or ethnic origin and that equal opportunity shall be given to all employees.

PENSIONS

The Group operates the Gala Coral Pension Plan, a fully funded defined benefit pension scheme. On 28 September 2013 the scheme was closed to future accrual. Following the closure of the scheme the Group derecognised the defined benefit pension asset as the surplus can no longer be recovered through the reduction of future contributions.

The pension cost charge for the year represents contributions paid by the Group into the current personal pension plans and the old Group defined contribution scheme and amounted to £5.3 million (2014: £5.9 million).

ENVIRONMENTAL AWARENESS

The Group is committed to ensuring that the environmental consequences of its operations are minimised as far as practicable. As such the Group pursues the following objectives:

- Recycling of waste where possible;
- Conserving of energy and water; and
- Recycling of consumables (paper, card, ink cartridges)

CAPITAL STRUCTURE

The Group is owned by a number of private equity funds, the following parties hold shareholdings of greater than 5% of the ordinary share capital:

- Apollo Global Management, LLC.
- Cerberus Capital Management, L.P.
- Park Square Capital, LLP.
- Anchorage Capital Partners.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

KPMG LLP was appointed as auditor during the year. Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed and will therefore continue in office.

GOING CONCERN

The directors have continued to review the Group's cash flow forecasts and trading budgets and after making appropriate enquiries, have formed the view that the Group is operationally and financially robust and will generate sufficient cash to meet its ongoing requirements for at least the next 12 months from the date of approval of these financial statements, despite the net liabilities position.

In the year ended 26 September 2015 the Group has generated cash from operating activities of £240.2 million and after net interest payments, corporation tax payments and payments to acquire tangible and intangible assets has generated a cash inflow of £53.8 million. The Group's cash flow forecasts continue to support that cash generation will be strong in order to meet liabilities as they fall due.

The Group's forecasts include modelling covenant compliance which indicates that significant headroom exists in the foreseeable future. The net liability position has been caused by the roll-up of interest on shareholder loan notes that are not repayable until October 2020. It is anticipated that the loan notes will be settled with the proceeds received from the potential merger with Ladbrokes Plc. Should the merger not proceed the directors are confident that the Group can continue to meet its liabilities as they fall due.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

H A Willits
Company Secretary

30 November 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALA CORAL GROUP LIMITED

We have audited the financial statements of Gala Coral Group Limited for the year ended 26 September 2015 set out on pages 17 to 56. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 26 September 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Haydn-Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30 November 2015

Gala Coral Group Limited
Group Profit and Loss Account
For the year ended 26 September 2015

	Notes	2015 £m	2014 £m
Turnover			
Coral Group	2	1,006.4	949.1
Gala Retail (discontinuing)	2	294.7	290.2
Continuing operations		1,301.1	1,239.3
Discontinued operations	2	(9.3)	4.1
Total turnover		1,291.8	1,243.4
Cost of sales		(382.9)	(349.7)
Gross profit			
Coral Group	2	699.5	685.4
Gala Retail (discontinuing)	2	216.8	204.7
Continuing operations		916.3	890.1
Discontinued operations	2	(7.4)	3.6
Total gross profit		908.9	893.7
Administrative expenses		(940.7)	(857.1)
Operating (loss)/profit before other operating income		(31.8)	36.6
Operating (loss)/profit before other operating income, analysed as:			
Before exceptional items		161.6	165.0
Costs and impairments associated with change in regulation	7	(11.0)	(106.2)
Impairments of bingo and other residual casino assets	7	(171.3)	(8.5)
FRS 20 'Share Based Payment' charge and related costs	7	(1.4)	(10.3)
Other restructuring costs and VAT	7	(12.7)	(4.8)
Net release of onerous lease provisions	7	3.0	1.4
Operating (loss)/profit before other operating income		(31.8)	36.6
Other operating income	4	3.6	7.0
Operating (loss)/profit	4		
Coral Group	2	115.1	17.6
Gala Retail (discontinuing)	2	(135.7)	26.7
Continuing operations		(20.6)	44.3
Discontinued operations	2	(7.6)	(0.7)
Operating (loss)/profit		(28.2)	43.6
Profit on disposal of tangible fixed assets	7	90.0	7.3
Profit on disposal of subsidiary	7	-	8.1
Profit before interest and tax		61.8	59.0
Interest receivable and similar income	7, 9(a)	4.8	33.6
Interest payable and similar charges	7, 9(a)	(240.8)	(248.8)
Other finance costs	9(b)	(1.6)	(1.9)
Gain on extinguishment of 2005 Gala Propco Three Limited debt	7, 19	68.6	-
Loss on ordinary activities before tax		(107.2)	(158.1)
Tax on loss on ordinary activities	10	(3.9)	(2.2)
Loss for the financial year	**25**	**(111.1)**	**(160.3)**

Gala Coral Group Limited
Group Statement of Total Recognised Losses, Reconciliation of Movement in Total Group Shareholders' Deficit and Note on Historical Cost Profit and Losses
For the year ended 26 September 2015

Group Statement of Total Recognised Losses

	Notes	2015 £m	2014 £m
Loss for the financial year		(111.1)	(160.3)
Surplus on revaluation of investment properties	13	-	3.4
Net foreign exchange adjustments offset in reserves	25	(1.5)	(2.4)
Actuarial gain and restriction on recognition of pension assets	28	(2.9)	(2.8)
Current tax credit relating to pension scheme		0.6	0.6
Total recognised losses for the year		**(114.9)**	**(161.5)**

Reconciliation of Movement in Total Group Shareholders' Deficit

		2015 £m	2014 £m
Total recognised losses for the year		(114.9)	(161.5)
FRS 20 'Share Based Payment' charge	29	1.4	9.9
Opening shareholders' deficit		(203.2)	(51.6)
Closing shareholders' deficit		**(316.7)**	**(203.2)**

Note on Historical Cost Profit and Losses

		2015 £m	2014 £m
Reported loss on ordinary activities before tax		(107.2)	(158.1)
Revaluation surplus realised on sale of investment property	25	8.0	12.8
Historical cost loss for the year before taxation		**(99.2)**	**(145.3)**
Historical cost loss for the year after taxation		**(103.1)**	**(147.5)**

Gala Coral Group Limited
Group Balance Sheet
As at 26 September 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Intangible assets	11	298.7	345.8
Tangible assets	12	1,562.7	1,807.0
Investment properties	13	-	29.0
		1,861.4	2,181.8
Current assets			
Stocks	15	1.6	2.0
Debtors	16	42.6	43.5
Cash at bank and in hand		247.9	224.6
		292.1	270.1
Creditors: amounts falling due within one year	17	(212.8)	(514.6)
Net current assets/(liabilities)		79.3	(244.5)
Total assets less current liabilities		1,940.7	1,937.3
Creditors: amounts falling due after more than one year	18	(2,231.0)	(2,101.1)
Provisions for liabilities	23	(26.4)	(39.4)
Net liabilities excluding net pension asset		(316.7)	(203.2)
Net pension asset	28	-	-
Net liabilities including net pension asset		**(316.7)**	**(203.2)**
Capital and reserves			
Called up share capital	24	213.3	213.3
Merger reserve	25	1.6	1.6
Capital contribution reserve	25	1,723.5	1,723.5
Revaluation reserve	25	-	8.0
Profit and loss account	25	(2,255.1)	(2,149.6)
Total shareholders' deficit		**(316.7)**	**(203.2)**

The financial statements on pages 17 to 56 were approved by the Board of directors on 30 November 2015 and are signed on its behalf by:

P Bowtell
Director

Company Registered Number: 07254686

Gala Coral Group Limited
Company Balance Sheet
As at 26 September 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Fixed asset investments	14	287.0	285.6
Current assets			
Debtors: amounts due after more than one year	16	953.2	828.5
		953.2	828.5
Creditors: amounts falling due within one year	17	-	(0.8)
Net current assets		953.2	827.7
Total assets less current liabilities		1,240.2	1,113.3
Creditors: amounts falling due after more than one year	18	(947.3)	(822.6)
Net assets		**292.9**	**290.7**
Capital and reserves			
Called up share capital	24	213.3	213.3
Profit and loss account	25	79.6	77.4
Total shareholders' funds		**292.9**	**290.7**

The financial statements on pages 17 to 56 were approved by the Board of Directors on 30 November 2015 and are signed on its behalf by:

P Bowtell
Director

Gala Coral Group Limited
Group Cash Flow Statement
For the year ended 26 September 2015

	Notes	2015 £m	2014 £m
Net cash inflow from operating activities	26(a)	240.2	205.1
Returns on investments and servicing of finance			
Interest received		4.8	33.6
Interest paid and similar charges		(120.0)	(128.6)
Net cash outflow from returns on investments and servicing of finance		(115.2)	(95.0)
Taxation			
Overseas corporation tax paid		(5.3)	(3.8)
Capital expenditure and financial investment			
Payments to acquire intangible and tangible assets		(65.9)	(69.1)
Receipts from sales of tangible assets		206.0	24.5
Net cash inflow/(outflow) for capital expenditure and financial investment		140.1	(44.6)
Acquisitions and disposals			
Purchase of subsidiary undertakings/trade and assets		-	(6.5)
Net proceeds on sale of subsidiary undertakings		-	23.0
Cash disposed with subsidiary undertakings		-	(2.0)
Net cash inflow from acquisitions and disposals		-	14.5
Net cash inflow before financing		259.8	76.2
Financing			
Repayment of Senior secured notes		-	(35.0)
Repayment of the 2005 Propco Three Limited loan		(236.5)	(32.9)
Net cash outflow from financing		(236.5)	(67.9)
Increase in cash	26(b)	**23.3**	**8.3**

Gala Coral Group Limited
Reconciliation of Group Net Cash Flow to Movement in Group Net Debt
For the year ended 26 September 2015

	Notes	2015 £m	2014 £m
Increase in cash	26(b)	23.3	8.3
Net repayment of long-term loans	26(b)	236.5	67.9
Change in net debt resulting from cash flows		259.8	76.2
Other non-cash movements	26(b)	(61.2)	(115.5)
Movement in net debt		198.6	(39.3)
Opening net debt	26(b)	(2,179.2)	(2,139.9)
Closing net debt	26(b)	**(1,980.6)**	**(2,179.2)**

1. Accounting Policies

Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, the accounting policies set out below, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006, except as regards the specific provisions of the Act relating to the amortisation of goodwill and the revaluation of certain tangible fixed assets as explained below. The accounting policies have been consistently applied to both of the years presented in these financial statements.

The Group prepares its financial statements to the last Saturday in September.

The Group has utilised the exemption from disclosing intra-group transactions which is offered by FRS 8 “Related Party Transactions”.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company balances, transactions and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

No profit and loss account is presented for Gala Coral Group Limited as permitted by section 408 of the Companies Act 2006. The profit for the financial year of the Company was £0.8 million (2014: profit of £0.8 million).

Going Concern

The directors have continued to review the Group’s cash flow forecasts and trading budgets and after making appropriate enquiries, have formed the view that the Group is operationally and financially robust and will generate sufficient cash to meet its ongoing requirements for at least the next 12 months from the date of approval of these financial statements, despite the net liabilities position.

In the year ended 26 September 2015 the Group has generated cash from operating activities of £240.2 million and after net interest payments, corporation tax payments and payments to acquire tangible and intangible assets has generated a cash inflow of £53.8 million. The Group’s cash flow forecasts continue to support that cash generation will be strong in order to meet liabilities as they fall due.

The Group’s forecasts include modelling covenant compliance which indicates that significant headroom exists in the foreseeable future. The net liability position has been caused by the roll-up of interest on shareholder loan notes that are not repayable until October 2020. It is anticipated that the loan notes will be settled with the proceeds received from the potential merger with Ladbrokes Plc. Should the merger not proceed the directors are confident that the Group can continue to meet its liabilities as they fall due.

Turnover

Turnover results from the operation of bookmakers (“LBO’s”), bingo clubs, online gaming and casinos and is stated as net win, which is calculated as bets placed less amounts won by customers. Turnover is stated net of any VAT, but before the deduction of gaming duty. Turnover from the sale of food and beverages is recorded net of VAT. Gala Retail turnover is stated net of customer contribution to prizes but gross of company contributed prizes which are disclosed within cost of sales.

The Group operates betting establishments in Italy via franchise partners. Under the terms of the franchise agreements, the Group bears the risks and rewards of the operations and therefore the Group acts as principal. As a result, the Group recognises the full net win generated from these operations in turnover.

Income from open betting positions is held in deferred income in creditors until the event has occurred.

Cost of Sales

Cost of sales primarily comprises the costs of gaming duties and any company contribution to prizes offered within Gala Retail. Cost of sales also includes the revenue share payments to franchisees, content providers and machine rental costs.

Exceptional Items

Exceptional items are those items which, by their size or nature, are separately disclosed in order to give a full understanding of the Group’s financial performance and to aid comparability of the Group’s results between periods.

1. Accounting Policies (continued)

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. Except as noted below, goodwill is capitalised and amortised over its estimated useful life of up to 20 years. Where a business is sold, the net book value of goodwill allocated to the business is charged through the profit and loss account as part of the profit or loss on disposal.

However, the directors have concluded that goodwill arising on the acquisition of its “bricks and mortar” gaming and LBO (Licensed Betting Office) businesses should not be amortised as it has an indefinite useful economic life. The goodwill is considered to have indefinite durability that can be demonstrated and its value can be readily measured.

The acquired businesses operate in longstanding and profitable market sectors. The Group has a strong position in the market and there are barriers to entry due to the requirement to demonstrate that the applicant is a fit and proper person with the “know-how” required to run such operations. The regulation of the industry also restricts the games that can be offered and consequently reduces the risk of product obsolescence.

Annual impairment reviews of this goodwill are carried out and any resulting write down is charged to the profit and loss account.

The non-amortisation of this goodwill constitutes a departure from the Companies Act 2006 Section 404(5), for the purpose of giving a true and fair view of the Group’s results for the reasons outlined above. If goodwill arising on these acquisitions had been amortised over a 20-year period, the operating profit would have decreased by £nil for the year ended 26 September 2015 (2014: decrease of £1.8 million). Cumulatively goodwill would have been amortised by £1,141.3 million (2014: £1,103.5 million).

Trademarks

The Group capitalises trademarks at their fair value on acquisition. The Coral Retail trademarks are not amortised as their useful life has been assessed as indefinite. An indefinite useful life has been chosen for the same reasons as detailed in the accounting policy for goodwill and as such the carrying value of trademarks is also subject to an annual impairment review. If the Coral Retail trademarks had been amortised over a 20-year period, the operating profit would have decreased by £8.3 million for the year ended 26 September 2015 (2014: £8.3 million). Cumulatively, trademarks would have been amortised by £83.0 million (2014: £74.7 million).

Licences

The Group capitalises Italian gaming licences at cost which are amortised over their initial term which is up to nine years.

Tangible Assets and Depreciation

Tangible assets are stated at historic purchase cost less accumulated depreciation.

For buildings that have been purchased as part of a business acquisition, the initial carrying value includes the trading potential of the properties, which reflects the benefit of the gaming licences attached to trading properties. Subsequent additions to tangible assets are stated at cost. Depreciation is provided on all tangible assets, with the exception of freehold land and trading potential, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	50 years
Leasehold land and buildings	–	shorter of 50 years and term of lease
Fixtures, fittings and office equipment	–	over three to ten years
Computer hardware and software	–	over three to ten years
Vehicles	–	over three to five years

1. Accounting Policies (continued)

Investment Properties

Investment properties are accounted for in accordance with SSAP 19 (revised). Investment properties are revalued annually, on an open market basis by a RICS (Royal Institute of Chartered Surveyors), qualified Chartered Surveyor and the surplus or deficit arising is transferred to a revaluation reserve unless the deficit is expected to be permanent, in which case it is charged to the profit and loss account. No depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years unexpired.

Although the Companies Act 2006 would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not showing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or qualified.

Impairment Reviews

Tangible assets: The need for any fixed-asset impairment provision is assessed by comparison of the carrying value of an income-generating unit, which normally comprises bingo clubs or LBOs which operate together as a division, against the higher of the net realisable value or value in use. In addition, sites or Groups of sites are considered separately where there have been exceptional circumstances impacting on their profitability that may indicate a material incremental impairment at that level.

The value in use is determined from the estimated discounted future cash flows of the income-generating unit.

Intangible assets: The need for any intangible asset impairment provision is assessed by comparison of the carrying value of the intangible assets with their value in use. The value in use is determined from the estimated discounted future cash flows.

For both tangible and intangible assets the future cash flows are based on the forecasts and budgets of the income-generating unit or business. The key assumptions within the budgets for the Gala Retail segment are the admissions levels, spend or drop per head, win percentage, wage increases and the fixed costs of the bingo club. The key assumptions within the budgets for the Coral Retail and Eurobet Retail segments are the average number of machines per shop, gross win per shop per week, wage increases and the fixed costs of the licensed betting offices. The key assumptions within the budgets for the Online segment are the number of active customers, turnover per head, win percentage, revenue shares and operating costs.

Where goodwill has historically been allocated to a segment on acquisition, impairments are made firstly against goodwill, then to any capitalised intangible asset and then to tangible assets on a pro rata or more appropriate basis (which typically involves impairing any trading potential value included within properties).

Where more than one segment was acquired through a single investment and goodwill arising was not allocated between the businesses, the value in use is first compared with the carrying value of the net assets (excluding goodwill) of each segment, with any impairment made firstly against capitalised intangible assets and then tangible assets of the segment.

A secondary assessment is then made to compare the carrying values of all the segments acquired through a single investment against the value in use with any additional impairment then made against goodwill.

Fixed asset investments

Fixed asset investments are stated at cost less any necessary provision against their carrying value for diminution in value.

Stocks

Stocks are valued at the lower of cost and net realisable value.

1. Accounting Policies (continued)

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more tax, or a right to pay less tax with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing Commitments

Rentals paid under operating leases are charged to income on a straight line basis up to the date of the next rental review. Rentals receivable under operating leases are recognised in the profit and loss account within other operating income when earned.

Lease incentives are spread over the period up to the first rent review where market rate rents are applied.

Property Provisions

Provision has been made for vacant, partly sub-let leasehold properties and onerous leases. Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

Any creation or release of these provisions is included in exceptional items within operating expenses. For the vacant and sub-let properties, provision has been made for the shorter of the remaining period of the lease and the period until, in the directors' opinion, the Group will be able to exit the lease commitment. The amount provided is based on the future rental obligations, together with other outgoings, net of any sub-lease income.

Provision has been made on a discounted cash flow basis for onerous leases based on the element of the rental payments which are considered to be onerous. In determining the provision for the properties, the cash flows have been discounted using a risk-free discount rate. Provision has been made for the cost of carrying out remedial works in respect of the Group's leasehold properties when the Group is legally obliged to rectify the matter.

Pensions

The Group operates the Gala Coral Pension Plan. The scheme has a defined benefit section and a defined contribution section. The assets of the scheme are managed separately from those of the Group. The defined benefit section of the scheme is closed to new entrants and future accrual.

For the defined benefit pension scheme, the Group has adopted the provisions of FRS 17 amended "Retirement Benefits" in that the amounts charged to operating profit are the current service costs. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount within other finance costs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. The net pension scheme surplus recognised is restricted to the present value of the future expected pension contributions.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained every three years and are updated at each balance sheet date.

1. Accounting Policies (continued)

Pensions (continued)

For the defined contribution pension scheme, the amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits, represents the contributions payable in the period as per the payment certificates. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments.

Share based payments

The Group operates an equity-settled share based payment plan under which the Group receives services from employees as consideration for the ability to participate in the purchase of equity instruments from the Group's parent. The fair value of the services received in exchange for the equity instrument is recognised as an expense. The total amount expensed is determined by reference to the fair value of the instruments granted:

- including any market performance conditions
- excluding the impact of any service and non-performance vesting conditions

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates over the number of instruments which are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in subsidiary undertakings with a corresponding credit in equity in the parent's Financial Statements.

Should any amendments be made to the scheme then the fair value of the award will be re-measured at the modification date with the incremental fair value expensed over the vesting period.

Financial Instruments

The Group uses financial instruments to hedge the risk associated with interest rates. Interest differentials on financial instruments are recognised by adjusting net interest payable in the period on an accruals basis. Realised gains or losses on the hedges are recognised in the period to which they relate.

Borrowings are carried at their issue proceeds net of finance costs (and in respect of the senior notes, also the discount to nominal value) less amounts repaid. Finance costs and the discount are amortised over the life of the related borrowing.

Interest rate cap premia are carried at cost and are amortised over the life of the cap.

Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling at the prevailing rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at period end rates of exchange. Exchange differences are taken to the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. The financial statements of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

2. Discontinued and Discontinuing Operations

During the year the Group ceased to operate its High Roller segment and as such has disclosed it as a discontinued operation.

On 26 October 2015 the Group announced that it had exchanged contracts on the sale of the Gala Retail business and accordingly classified it as discontinuing.

During the prior year the Group disposed of its Gala Casino business. This operation is also classified as discontinued in the prior year.

2. Discontinued and Discontinuing Operations (continued)

2015

	Coral Group £m	Gala Retail (Discontinuing) £m	Continuing Operations £m	Discontinued Operations £m	Total Group £m
Turnover	1,006.4	294.7	1,301.1	(9.3)	1,291.8
Cost of sales	(306.9)	(77.9)	(384.8)	1.9	(382.9)
Gross profit	699.5	216.8	916.3	(7.4)	908.9
Administrative expenses	(586.9)	(353.6)	(940.5)	(0.2)	(940.7)
Operating (loss)/profit before other operating income	112.6	(136.8)	(24.2)	(7.6)	(31.8)
Other operating income	2.5	1.1	3.6	-	3.6
Operating (loss)/profit	**115.1**	**(135.7)**	**(20.6)**	**(7.6)**	**(28.2)**

2014

	Coral Group £m	Gala Retail (Discontinuing) £m	Continuing Operations £m	Discontinued Operations £m	Total Group £m
Turnover	949.1	290.2	1,239.3	4.1	1,243.4
Cost of sales	(263.7)	(85.5)	(349.2)	(0.5)	(349.7)
Gross profit	685.4	204.7	890.1	3.6	893.7
Administrative expenses	(670.1)	(182.7)	(852.8)	(4.3)	(857.1)
Operating (loss)/profit before other operating income	15.3	22.0	37.3	(0.7)	36.6
Other operating income	2.3	4.7	7.0	-	7.0
Operating (loss)/profit	**17.6**	**26.7**	**44.3**	**(0.7)**	**43.6**

3. Segmental Analysis

The Group operated seven segments during the year – Coral Retail, Eurobet Retail, Online, Gala Retail, Telebet, High Rollers and Corporate and used to operate the Gala Casino Segment in the prior year. The Eurobet Retail segment comprises betting shops operated under franchise arrangements in Italy. The Online segment operates online sports betting, bingo, casino and other gaming products.

The revenue of Coral Retail and Gala Retail arises solely within the UK. The revenue of Eurobet Retail arises solely in Italy. The revenue of the Online and High Rollers segments arises in the UK and Europe. Online customers are almost entirely located in the UK for the Coral and Gala Online brands and mainland Europe for Eurobet.it. Due to the nature of the Online segment, it is not possible to split the net assets by geographical category. The Gala Casino revenue (now discontinued) arose in the UK and Gibraltar.

Turnover, Group operating profit and net assets are analysed as follows:

2015

	Coral Retail £m	Eurobet Retail £m	Online £m	Gala Retail £m	Gala Casino £m	Telebet £m	High Rollers £m	Corporate £m	Group £m
Amounts staked	11,278.6	465.8	6,331.4	528.9	-	63.7	396.3	-	19,064.7
Turnover	676.9	77.3	247.8	294.7	-	4.4	(9.3)	-	1,291.8
Gross profit	503.9	24.9	166.9	216.8	-	3.8	(7.4)	-	908.9
Other admin expenses	(362.7)	(11.5)	(110.7)	(166.2)	-	(2.7)	(0.2)	(6.6)	(660.6)
'Opco' EBITDA[1]	141.2	13.4	56.2	50.6	-	1.1	(7.6)	(6.6)	248.3
Propco rent	-	-	-	5.6	-	-	-	0.2	5.8
Group EBITDA[1]	141.2	13.4	56.2	56.2	-	1.1	(7.6)	(6.4)	254.1
Depreciation and amortisation	(27.1)	(12.9)	(15.2)	(19.7)	-	-	-	(14.0)	(88.9)
Operating profit/(loss)[2]	114.1	0.5	41.0	36.5	-	1.1	(7.6)	(20.4)	165.2
Exceptional items									(193.4)
Group operating loss									(28.2)

{1} All EBITDA numbers are stated pre-exceptional items.
{2} Operating profit/(loss) is stated pre-exceptional items

Prior to the sale of the properties and subsequent liquidation of 2005 Propco Three Limited the Group operated an 'Opco-Propco' structure with rentals charged between Group companies for properties which acted as security under the 2005 Propco Three Limited loan. During the year the properties were either purchased by Gala Retail (5 properties for £1.1 million) or were sold to a third party and leased back by Gala Retail. Following the sale of these properties 2005 Propco Three Limited was put into a Creditors Voluntary Liquidation and is no longer consolidated in the Gala Coral Group accounts from the date at which it entered into liquidation.

The amortisation of goodwill in respect of the Online division of £12.9 million has been charged to Corporate costs.

3. Segmental Analysis (continued)

Propco rent receivable of £0.2 million in Corporate relates to rent received from The Rank Group Plc and the Double Diamond Group, on investment properties, prior to their sale.

During the year, 'Opco' made a one off payment of £32.1 million to 'Propco' in order to restructure the leasing arrangements, this eliminates on consolidation.

2014

	Coral Retail £m	Eurobet Retail £m	Online £m	Gala Retail £m	Gala Casino £m	Telebet £m	High Rollers £m	Corporate £m	Group £m
Amounts staked	11,239.2	378.5	4,700.5	538.3	14.3	68.4	-	-	16,939.2
Turnover	679.7	83.5	182.6	290.2	4.1	3.3	-	-	1,243.4
Gross profit	514.7	28.7	138.9	204.7	3.6	3.1	-	-	893.7
Other admin expenses	(371.7)	(9.9)	(89.4)	(171.8)	(3.4)	(3.6)	-	(8.2)	(658.0)
'Opco' EBITDA[1]	143.0	18.8	49.5	32.9	0.2	(0.5)	-	(8.2)	235.7
Propco rent	-	-	-	24.4	0.1	-	-	3.7	28.2
Group EBITDA[1]	143.0	18.8	49.5	57.3	0.3	(0.5)	-	(4.5)	263.9
Depreciation and amortisation	(27.4)	(13.3)	(11.5)	(22.5)	(1.0)	-	-	(16.2)	(91.9)
Operating profit/(loss)[2]	115.6	5.5	38.0	34.8	(0.7)	(0.5)	-	(20.7)	172.0
Exceptional items									(128.4)
Group operating profit									**43.6**

{1} All EBITDA numbers are stated pre-exceptional items.
{2} Operating profit/(loss) is stated pre-exceptional items

The amortisation of goodwill on the Online division of £12.9 million has been charged to Corporate costs.

Propco rent receivable of £3.7 million in Corporate relates to rent received from The Rank Group Plc and the Double Diamond Group.

3. Segmental Analysis (continued)

Net Assets by Segment

	2015 £m	2014 £m
Coral Retail	1,412.2	1,435.0
Eurobet Retail	20.0	32.9
Online	24.9	39.4
Gala Retail	167.4	354.8
	1,624.5	1,862.1
Non-operational net liabilities	(1,941.2)	(2,065.3)
Total net liabilities	**(316.7)**	**(203.2)**

Net Assets by Geographical Area

	2015 £m	2014 £m
UK	1,579.6	1,789.8
Europe	44.9	72.3
	1,624.5	1,862.1
Non-operational net liabilities	(1,941.2)	(2,065.3)
Total net liabilities	**(316.7)**	**(203.2)**

Non-operational net liabilities comprise goodwill, certain accruals and prepayments, net debt and taxation.

4. Operating (Loss)/Profit

This is stated after charging:

	2015 £m	2014 £m
Depreciation of owned assets:		
Coral Retail	27.1	27.4
Eurobet Retail	4.5	4.4
Online	15.2	11.5
Gala Retail	19.7	22.5
Gala Casino	-	1.0
Group	1.1	3.3
Total depreciation	67.6	70.1
Amortisation	21.3	21.8
Impairment/write down of fixed assets:		
Tangible assets	156.7	82.8
Intangible assets	24.9	30.1
Operating lease rentals:		
Land and buildings	60.0	58.3
Plant and machinery	5.4	7.5

Amortisation includes a charge of £12.9 million (2014: £12.9 million) in respect of Online goodwill and a charge of £8.4 million (2014: £8.9 million) on Italian licences.

Other operating income comprises property rents receivable of £3.6 million (2014: £7.0 million).

Of the operating lease rentals £22.2 million (2014: £23.7 million) relate to discontinued or discontinuing operations.

During the year Gala Retail was charged rent payable of £5.6 million (2014: £24.4 million) in relation to operating lease rentals from 2005 Propco Three Limited. In the prior year Gala Casino was also charged rent payable from 2005 Propco Three Limited of £0.1 million. These amounts eliminate on consolidation within the Group Financial Statements. In addition, 2005 Propco Three Limited received rent of £0.2 million (2014: £3.7 million) from The Rank Group Plc and the Double Diamond Group in respect of the rent on the disposed casinos.

5. Auditors' Remuneration

During the financial year the Group obtained the following services from the Group's auditors KPMG LLP (2014: PricewaterhouseCoopers LLP) and network firms as detailed below:

	2015 £m	2014 £m
Audit services:		
Fees payable for the audit of the Company and Group Financial Statements	0.1	0.1
Other services:		
Fees payable for the audit of the Company's subsidiaries	0.3	0.4
Taxation advisory services	-	0.1
Services relating to Corporate Finance transactions	1.6	1.4
Other non-audit services	-	0.1
	2.0	2.1

6. Directors' Remuneration

	2015 £m	2014 £m
Aggregate emoluments	4.1	4.1
Company contributions to private pension schemes	0.3	0.3
	4.4	4.4

No directors (2014: none) accrue benefits under the Group's defined benefit pension scheme.

Emoluments of the highest paid director are as follows:

	2015 £m	2014 £m
Aggregate emoluments (excluding pension contributions)	1.3	1.3
Company contributions to private pension schemes	0.1	0.1
	1.4	1.4

No director exercised any share options during the year (2014: none).

Retirement benefits are accruing to three directors under the Group's money purchase scheme (2014: three).

No emoluments were paid to directors for services to the Company (2014: £nil).

7. Exceptional Items

Exceptional Items Charged/(Credited) to Operating (Loss)/Profit

	Notes	2015 £m	2014 £m
Costs and impairments associated with change in regulation	a)	11.0	106.2
Impairments of bingo and other residual casino assets	b)	171.3	8.5
FRS 20 'Share Based Payment' charge and related costs	c)	1.4	10.3
Other restructuring costs and VAT	d)	12.7	4.8
Net release of onerous lease provisions	23	(3.0)	(1.4)
Total charged to administrative expenses within operating (loss)/profit		**193.4**	**128.4**

No tax credit (2014: £nil) has been claimed in relation to the exceptional charge as the Group is loss making.

a) Reflects the write off of assets, including on closed LBO's of £10.3 million (2014: £19.3 million) following the changes in regulation, the impairment of goodwill/trading potential £nil (2014: £86.2 million), and other costs £0.7 (2014: £0.7 million) which have resulted from the significant changes in regulation that have impacted the business. The impairment in the prior year reflects a write off of historic goodwill and trading potential that arose as part of the 2005 acquisition of Coral Eurobet. This is a non-cash charge and has no detrimental impact on financial covenants.

b) Reflects the impairment of goodwill/trading potential of £165.0 million (2014: £nil) as a result of the directors' reassessment of value in use following the announcement to sell Gala Retail. This sale agreement has provided the directors with reliable, market based information to finalise their estimate of value in use and the underlying discount rate. The impairment reflects the under realisation of licence value and goodwill that arose in the 2003 restructuring. Impairments also includes £6.3 million (2014: £8.5 million) for the write down of tangible assets on the closure of bingo clubs and in the prior year other residual casino assets following the disposal of the remainder of the casino business.

c) Represents the FRS 20 'Share Based Payment' charge and related costs detailed further in note 29. The FRS 20 'Share Based Payment' charge is an accounting charge only and does not represent a cash commitment for the UK Group or any of its subsidiaries, either now or in the future. The ultimate cash obligation lies with the Group's parent company, GCG Manager S.A Luxco S.C.A and only in an exit event. This item has been treated as exceptional given the quantum of the charge over the vesting period of the issue.

d) Relates to costs associated with corporate restructuring of £5.2 million (2014: £12.2 million), costs associated with a number of possible corporate transactions including a possible IPO and the proposed merger with Ladbrookes Plc of £10.6 million and the ongoing process to dispose of Gala Retail £1.9 million (2014: £3.5 million) and costs incurred on the pension scheme closure £nil (2014: £1.6 million). These costs have been offset by £5.0 million of VAT refunds associated with successful 'Conde Nast' claims (2014: £12.5 million).

Exceptional Items Charged/(Credited) after Operating (Loss)/Profit

1) Profit on Disposal of Fixed Assets

The profit on disposal of £90.0 million in the year (2014: £7.3 million) relates primarily to the disposal of properties in 2005 Propco Three Limited.

2) Profit on Disposal of Subsidiary

In December 2013 the Group sold its remaining 4 UK casinos and Gala Casino (Gibraltar) Limited, a wholly owned subsidiary, for a combined consideration of £24.7 million (£23.0 million net of fees) which resulted in a profit on disposal of £8.1 million which was recognised in the profit and loss account in 2014.

7. Exceptional Items (continued)

Exceptional Items Charged/(Credited) after Operating (Loss)/Profit (continued)

3) Exceptional Interest (see note 9)

Exceptional interest receivable in the year of £3.9 million (2014: £32.5 million) relates to interest receivable from HMRC on 'Condé Nast' VAT claims.

In the prior year exceptional interest payable of £6.2 million was paid to the senior lenders following certain amendments to the Senior Facilities Agreement ('SFA') which were agreed on 7 April 2014 and on 11 July 2014. An early redemption charge of £1.1 million was incurred following a repayment of £35.0 million on the senior secured notes during that year. Issue costs of £0.6 million were written off as a result of this repayment.

2005 Propco Three Limited entered into a Creditors Voluntary Liquidation in March 2015 and the outstanding loan amount of £68.6 million has been derecognised during the period.

8. Staff Costs (including Directors)

	2015 £m	2014 £m
Wages and salaries (including redundancies)	254.8	257.1
Social security costs	20.0	20.2
Other pension costs	5.4	6.0
FRS 20 'Share Based Payment' charge	1.4	9.9
	281.6	**293.2**

The monthly average number of employees during the year was made up as follows:

	2015 Number	2014 Number
Coral Retail	9,884	10,244
Gala Retail	4,109	4,210
Gala Casino	-	80
Online	628	546
Eurobet Retail	179	159
Support staff	39	44
	14,839	**15,283**

All employees of Coral Retail and Gala Retail, along with support staff are predominately based in the United Kingdom. The employees of the Eurobet Retail division are primarily based in Italy. The majority of employees of our Online business are based outside the United Kingdom.

9. Interest

a) Interest

	2015 £m	2014 £m
Loan interest and similar charges	(102.2)	(104.2)
2005 Propco Three Limited loan interest	(8.0)	(20.8)
GCGL loan note interest	(123.4)	(107.3)
Amortisation of debt issue costs and senior notes discount	(6.4)	(7.6)
Amortisation of interest rate cap premia	(0.8)	(1.0)
	(240.8)	**(240.9)**
Exceptional interest payable:		
Write off of debt issue costs on repayment of other loans (note 7)	-	(0.6)
Early redemption charge on repayment of Senior Secured Notes (note 7)	-	(1.1)
'SFA' consent fees (note 7)	-	(6.2)
	-	(7.9)
Interest payable and similar charges	**(240.8)**	**(248.8)**
Interest on deposits and money market funds	0.9	0.5
Other interest receivable	-	0.6
Exceptional interest receivable (note 7)	3.9	32.5
Interest receivable and similar income	**4.8**	**33.6**
Net interest payable	**(236.0)**	**(215.2)**

Loan interest payable and similar charges include amounts payable on the senior secured credit facilities, senior secured notes and senior notes. Actual amounts paid in cash in the year in relation to the 2005 Propco Three Limited loan amounted to £16.5 million (2014: £16.3 million).

In the year interest receivable on the 2005 Propco Three Limited cash balance was £nil (2014: £nil million) and amortisation of debt issue costs included above of £nil (2014: £0.3 million).

b) Other Finance Costs

	2015 £m	2014 £m
Unwinding of discount in onerous lease provisions (note 23)	0.8	0.9
Other finance costs in relation to the pension scheme	0.8	1.0
Other finance costs	**1.6**	**1.9**

Other finance costs include amounts paid on behalf of the pension scheme by the Group following its closure to future accrual.

10. Tax on Loss on Ordinary Activities

a) The Taxation Charge is made up as follows:

	2015 £m	2014 £m
Current tax		
UK Corporation tax at 20.5% (2014: 22.0%)	0.6	0.6
Overseas corporation tax – current year	1.8	4.9
Overseas corporation tax – prior year	-	(0.6)
Total current tax	2.4	4.9
Deferred taxation:		
Origination and reversal of timing differences:		
Overseas	1.5	(2.7)
Total deferred tax (note 23)	1.5	(2.7)
Tax charge on loss on ordinary activities	**3.9**	**2.2**

b) Factors affecting Current Tax Charge

The tax for the year is higher (2014: higher) than the average standard rate of corporation tax in the UK for the year ended 26 September 2015 of 20.5% (2014: 22.0%). The differences are reconciled below:

	2015 £m	2014 £m
Loss on ordinary activities before tax	(107.2)	(158.1)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK for the year of 20.5% (2014: 22.0%)	(22.0)	(34.8)
Expenses not deductible for tax purposes	45.0	47.6
Profit on disposal of fixed assets	(18.9)	(2.8)
Capital allowances (in excess of)/less than depreciation	(1.1)	(2.3)
Utilisation of losses brought forward	(1.6)	(2.0)
Other timing differences	(0.1)	(0.1)
Difference in overseas tax rate	(1.7)	(0.1)
Prior year charge	-	(0.6)
Losses not recognised	2.8	-
Current tax charge for the year	2.4	4.9
Deferred tax movement in year	1.5	(2.7)
Tax charge on loss on ordinary activities	**3.9**	**2.2**

Expenses not deductible for tax purposes includes £5.3 million (2014 £5.1 million) depreciation and amortisation on assets that do not qualify for tax relief, £0.3 million (2014: £2.3 million) FRS 20 Share based payment charge, £11.4 million (2014: £8.7 million) non-deductible interest on GCGL loan notes, £37.7 million (2014: £25.2 million) impairments and £14.1 million profit on the de-recognition of the 2005 Propco Three Limited loan (2014: £nil).

10. Tax on Loss on Ordinary Activities (continued)

c) Tax on Recognised Gains and Losses not included in the Profit and Loss Account

	2015 £m	2014 £m
Tax charge relating to pension scheme recognised in the Group Statement of Total Recognised Gains and Losses	0.6	0.6

d) Factors that may affect future Taxation

As at 26 September 2015, the Group has an unrecognised deferred tax asset of £164.0 million (2014: £155.8 million) (see note 23).

Finance Act 2015 included provision for the reduction of corporation tax to rates of 19% and 18% with effect from 1 April 2017 and 1 April 2020 respectively. As the Finance Act was not substantively enacted by the balance sheet date, deferred tax has been calculated using a rate of 20%. Post year end the Finance Act has been substantively enacted.

No provision has been made for deferred tax on the gain recognised on revaluing properties to fair values on acquisition or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the properties were sold without it being possible to claim rollover relief. The total amount unprovided for is £136.0 million (2014: £111.7 million). At present it is not envisaged that any such tax will become payable in the foreseeable future.

11. Intangible Assets

Group

	Italian Licences £m	Goodwill £m	Trademarks £m	Total £m
Cost:				
At 27 September 2014	49.1	1,262.2	166.0	1,477.3
Exchange differences	(3.0)	-	-	(3.0)
At 26 September 2015	46.1	1,262.2	166.0	1,474.3
Amortisation:				
At 27 September 2014	37.6	1,093.9	-	1,131.5
Provided during the year	8.4	12.9	-	21.3
Impairment	-	24.9	-	24.9
Exchange differences	(2.1)	-	-	(2.1)
At 26 September 2015	43.9	1,131.7	-	1,175.6
Net book value at 26 September 2015	**2.2**	**130.5**	**166.0**	**298.7**
Net book value at 27 September 2014	11.5	168.3	166.0	345.8

11. Intangible Assets (continued)

During the year goodwill was impaired by £24.9 million (2014: £30.1 million). The impairment assessment for intangible and tangible assets was determined using cash flow projections that were taken from financial budgets approved by management covering a three year period. A key assumption within the cash flow projection is the future growth rate used to extrapolate cash flows after this three year period. Assumptions are adopted specific to each of the Group's income generating units. The range of growth rates applied was 0% - 2.5% per annum (2014: 2.5%), which does not exceed historic long term average growth rates for the UK. The range of pre-tax discount rates applied was 11.0% - 15.0% (2014: 11.0%).

The impairments recorded reflect a write off of historic goodwill that arose as part of the 2005 acquisition of Coral Eurobet and 2003 Gala Group restructuring. These are non-cash charges and have no detrimental impact on financial covenants.

12. Tangible Assets

Group

	Freehold Land and Buildings £m	Leasehold Land and Buildings £m	Fixtures, Fittings, Tools and Equipment £m	Total £m
Cost:				
At 27 September 2014	546.7	1,456.0	469.6	2,472.3
Additions	2.6	7.7	57.2	67.5
Transfers	(275.5)	275.5	-	-
Exchange differences	-	-	(1.2)	(1.2)
Disposals	(114.3)	-	(42.9)	(157.2)
At 26 September 2015	159.5	1,739.2	482.7	2,381.4
Depreciation:				
At 27 September 2014	74.2	249.4	341.7	665.3
Provided during the year	3.8	8.8	55.0	67.6
Transfers	(44.6)	44.6	-	-
Exchange differences	-	-	(0.7)	(0.7)
Closed clubs/LBOs write down	-	15.8	0.8	16.6
Impairment	140.1	-	-	140.1
Disposals	(28.5)	-	(41.7)	(70.2)
At 26 September 2015	145.0	318.6	355.1	818.7
Net book value at 26 September 2015	**14.5**	**1,420.6**	**127.6**	**1,562.7**
Net book value at 27 September 2014	472.5	1,206.6	127.9	1,807.0

A write down of tangible assets on the closure of bingo clubs of £6.3 million and LBOs of £10.3 million totalling £16.6 million (2014: £26.7 million) was charged to exceptional administrative expenses during the year as well as an impairment of £140.1 million (2014: £56.1 million). See note 7 and note 11.

Included in freehold and leasehold land and buildings is land and trading potential at a value of £1,299.6 million (2014: £1,447.2 million) which is not depreciated.

During the year £275.5 million of costs, £230.9 million of net book value was transferred from freehold to leasehold land and buildings reflecting the licences attributed to properties that were previously owned but are now leased.

12. Tangible Assets (continued)

The net book value of leasehold land and buildings comprises:

	2015 £m	2014 £m
Long leasehold	210.9	213.2
Short leasehold	1,209.7	993.4
	1,420.6	1,206.6

13. Investment Properties

Group

	£m
Valuation:	
At 27 September 2014	29.0
Disposals	(29.0)
At 26 September 2015	-

If investment properties had not been revalued they would have been included at the following amounts:

	2015 £m	2014 £m
Cost and net book value	-	21.0

During the year all of the Group's properties were sold. There was no material difference between the proceeds received and the carrying value of investment properties.

14. Fixed Asset Investments

Company

	Subsidiary undertakings £m
Cost at 27 September 2014	285.6
Capital contribution relating to FRS 20 'Share Based Payment'	1.4
Net book value at 26 September 2015	287.0

The capital contribution relating to the FRS 20 'Share Based Payment' relates to the share based payment charge detailed in note 29.

14. Fixed Asset Investments (continued)

The following information relates to those undertakings which are owned by the group.

Name of Company	Nature of Business	Place of incorporation
Coral Racing Limited	Provision of leisure activities	Great Britain
Coral Stadia Limited	Provision of leisure activities	Great Britain
Romford Stadium Limited	Provision of leisure activities	Great Britain
Gala County Clubs Limited	Provision of leisure activities	Great Britain
Gala Leisure Limited	Provision of leisure activities	Great Britain
Eurobet Italia SRL	Provision of leisure activities	Italy
Brickagent Italia SRL	Provision of leisure activities	Italy
Gala Interactive (Gibraltar) Limited	Provision of leisure activities	Gibraltar
Coral Interactive (Gibraltar) Limited	Provision of leisure activities	Gibraltar
Gala Interactive (Services) Limited	Provision of leisure activities	Israel
Gala Casinos Limited	Provision of leisure activities	Great Britain
Coral Group Trading Limited	Provision of corporate services	Great Britain
Gala Group II Limited	Provision of corporate services	Great Britain
Gala Bingo Limited	Asset management Company	Great Britain
Coral Estates Limited	Asset management Company	Great Britain
Brickagent Limited	Provision of administration services	Great Britain
Gala Coral Interactive (Ireland) Limited	Provision of administration services	Ireland
Gala Group Finance plc	Finance Company	Great Britain
Gala Electric Casinos plc	Finance Company	Great Britain
Gala Group Finance II Limited	Finance Company	Great Britain
Gala 1 Limited	Manages indirect tax claims for Group	Great Britain
Coral Eurobet Holdings Limited	Holding Company	Great Britain
Coral Eurobet Limited	Holding Company	Great Britain
Eurobet Holdings Limited	Holding Company	Great Britain
Coral Holdings Limited	Holding Company	Great Britain
Eurobet UK Limited	Holding Company	Great Britain
Gala Coral Interactive (Gibraltar) Limited	Holding Company	Gibraltar
2005 Propco One Limited	Holding Company	Great Britain
Gala Group Two II Limited	Holding Company	Great Britain
Gala Group Holdings II Limited	Holding Company	Great Britain
Gala Group Investments Limited	Holding Company	Great Britain
C E Acquisition 1 Limited	Holding Company	Great Britain
Coral Group Limited	Holding Company	Great Britain
Coral Limited	Holding Company	Great Britain
Coral Finance 2 Limited	Holding Company	Great Britain
Eventday Limited	Holding Company	Great Britain
Gala Bingo Holdings Limited	Holding Company	Great Britain
Reuben Page Limited	Holding Company	Great Britain
GC (Jersey) Limited	Holding Company	Jersey
Gala Four Limited	Dormant Company	Great Britain
2015 GC Limited	Dormant Company	Great Britain
2015 GC 2 Limited	Dormant Company	Great Britain
Gala Electric Casino Two Limited	Dormant Company	Great Britain

14. Fixed Asset Investments (continued)

Name of Company	Nature of Business	Place of incorporation
Patmor Limited	Dormant Company	Great Britain
Coral Finance Limited	Dormant Company	Great Britain
Coral Finance 3 Limited	Dormant Company	Great Britain
Gala Leisure (1998) Limited	Dormant Company	Great Britain
Bonningtree Limited	Dormant Company	Great Britain
Gala Coral Pension Trustee Limited	Dormant Company	Great Britain
Gala Coral Secretaries Limited	Dormant Company	Great Britain
Gala Coral Nominees Limited	Dormant Company	Great Britain
Gala Coral Properties Limited	Dormant Company	Great Britain
Gala (Alderney) Limited	Dormant Company	Alderney
Eurobet (Gibraltar) Limited	Dormant Company	Gibraltar
Coral (Stoke) Limited	Dormant Company	Great Britain
C L Jennings (1995) Limited	Dormant Company	Great Britain
Joe Jennings Limited	Dormant Company	Great Britain
Joe Jennings (1995) Limited	Dormant Company	Great Britain
Lightworld Limited	Dormant Company	Great Britain
Vegas Betting Limited	Dormant Company	Great Britain
Hillside (LBO Holdings) Limited	Dormant Company	Great Britain
Chas Kendall (Turf Accountants) Limited	Dormant Company	Great Britain
Bloxhams Bookmakers Limited	Dormant Company	Great Britain
J G Leisure Limited	Dormant Company	Great Britain
Choicebet Limited	Dormant Company	Great Britain
Forster's (Bookmakers) Limited	Dormant Company	Great Britain
Sports (Bookmakers) Limited	Dormant Company	Great Britain
Arthur Prince (Turf Acccountants) Limited	Dormant Company	Great Britain
Reg. Boyle Limited	Dormant Company	Great Britain
49s Limited*	Provision of leisure activities	Great Britain
Lucky Choice Limited*	Dormant Company	Great Britain

*All of the undertakings are 100% owned with all voting rights held within the Group except for 49s Limited and Lucky Choice Limited which are owned 33.3% by the Group. Gala Electric Casinos plc is directly owned by the Company, the other subsidiaries are indirectly owned.

15. Stocks

Group

	2015 £m	2014 £m
Goods for resale	1.6	2.0

16. Debtors

Group

	2015 £m	2014 £m
Trade debtors	0.6	0.5
Deferred tax asset (note 23)	1.6	3.1
Corporation tax	0.4	-
Other debtors	16.8	15.4
Prepayments and accrued income	23.2	24.5
	42.6	**43.5**

Company

	2015 £m	2014 £m
Falling due after more than one year:		
Amounts owed by subsidiary undertakings	**953.2**	**828.5**

The amount owed relates to a loan note issued by Gala Electric Casinos plc which accrues interest at 15.0875% which is only payable on maturity on 27 October 2020. Interest accrued rolls up into the principal amount on 27 October each year until redemption. At 26 September 2015 rolled up interest was £499.9 million (2014: £375.2 million).

17. Creditors: Amounts Falling Due Within One Year

Group

	2015 £m	2014 £m
2005 Propco Three Limited loan (note 19)	-	305.1
Loan, senior secured notes and senior notes interest	20.5	29.4
Trade creditors	34.8	32.8
Corporation tax	-	3.2
Other taxation and social security	50.9	33.1
Other creditors	39.6	27.8
Accruals and deferred income	67.0	83.2
	212.8	**514.6**

Company

	2015 £m	2014 £m
Accruals and deferred income	**-**	**0.8**

18. Creditors: Amounts Falling Due After More Than One Year

Group

	2015 £m	2014 £m
Senior secured credit facilities (note 19)	705.0	702.4
Senior secured notes (note 19)	311.3	310.1
Senior notes (note 19)	267.1	264.9
GCGL loan note (note 20)	945.1	821.3
Other creditors	2.5	2.4
	2,231.0	**2,101.1**

Company

	2015 £m	2014 £m
Amounts owed to subsidiary undertakings	2.2	0.9
GCGL loan note (note 20)	945.1	821.7
	947.3	**822.6**

The GCGL loan note represents amounts owed to GCG Manager S.A Luxco S.C.A.

19. External Borrowings

Group

	2015 £m	2014 £m
Amounts falling due:		
In one year or less or on demand	-	305.1
Between two and five years	1,301.9	1,301.9
	1,301.9	1,607.0
Less:		
Issue costs	(15.3)	(20.4)
Discount on nominal value of senior notes	(3.2)	(4.1)
	1,283.4	1,582.5
Less:		
Included in creditors: amounts falling due within one year	-	(305.1)
	1,283.4	**1,277.4**

During the year the Group repaid £236.5 million of the 2005 Propco Three Limited loan following the disposal of properties which were owned by the company. The remaining outstanding loan balance of £68.6 million has been derecognised following the company entering into a Creditors Voluntary Liquidation.

19. External Borrowings (continued)

The principal terms of the current borrowings are as follows:

	Amount £m	Interest rate %	Maturity
Borrowed by Gala Group Finance plc:			
Senior secured credit facilities			
Term loan	711.9	LIBOR + 5	27 May 2018
Revolving credit facility	100.0	LIBOR + 4	27 May 2017
Senior secured notes	315.0	8.875	1 September 2018
Borrowed by Gala Electric Casinos plc:			
Senior notes	275.0	11.5	1 June 2019

The senior secured credit facilities and the senior secured notes are secured on the assets of the Group. The Group incurred costs relating to the raising of these borrowings and the senior notes were issued at a discount to their nominal value. The issue costs and discount have been deferred and are being amortised over the term of the borrowings.

At 26 September 2015 the senior secured credit facilities are presented net of unamortised issue costs of £6.9 million (2014: £9.5 million).

The senior secured notes and senior notes are presented net of unamortised issue costs (and in respect of the senior notes, also the discount to nominal value) of £3.7 million (2014: £4.9 million) and £7.9 million (2014: £10.1 million) respectively.

In addition to the margin payable on the senior secured credit facilities, the Group pays a 1.5% (2014: 1.5%) commitment fee in respect of the unused portion of the revolving credit facility. The revolving credit facility is available to finance working capital requirements and for general corporate purposes. Whilst no amounts have been drawn down on the revolving credit facility, £35.5 million (2014: £35.1 million) has been utilised through the issuance of letters of credit, primarily in respect of the licences for Eurobet Retail.

The senior secured credit facilities require the Group to comply with certain financial and non-financial covenants, all of which have been complied with. Likewise the senior secured notes and the senior notes require the Group to comply with certain non-financial covenants, all of which have been complied with.

20. GCGL Loan Notes

Group

	2015 £m	2014 £m
Amounts falling due after more than 5 years including rolled up interest	945.1	821.7
Less: issue costs	-	(0.4)
	945.1	**821.3**

The GCGL loan notes have been issued to its parent company, GCG Manager SA Luxco SCA. The GCGL loan notes are unsecured, were issued with a duration of 10 years and accrues interest of 15.0625% only payable on maturity on 27 October 2020. Interest accrued rolls up into the principal amount on 27 October each year until redemption. At the year end rolled up interest amounted to £495.1 million (2014: £371.7 million).

20. GCGL Loan Notes (continued)

Company

	2015 £m	2014 £m
Amounts falling due after more than 5 years including rolled up interest	**945.1**	**821.7**

The unamortised issue costs of £nil (2014: £0.4 million) were held within Gala Group Finance plc.

21. Financial Instruments

For the purposes of the disclosures which follow in this note, short-term debtors and creditors which arise directly from the Group's operations have been excluded. The Group's lease provisions are included in the following disclosures because, in establishing the lease provisions, the cash flows have been discounted and the discount rate is reappraised at each year end to ensure that it reflects the current market assessment of the time value of money.

Interest Rate Risk Profile of Financial Liabilities

The interest rate risk profile of the Group's financial liabilities at 26 September 2015 and 27 September 2014 was:

		Fixed/Floating Rate Financial Liabilities			
	Total £m	Floating Rate Financial Liabilities £m	Fixed Rate Financial Liabilities £m	Weighted Average Interest Rate %	Weighted Average Term of Fix Years
At 26 September 2015	**2,275.9**	**740.8**	**1,535.1**	**10.63**	**3.85**
At 27 September 2014	2,470.5	1,058.8	1,411.7	9.53	4.17

Interest Rate Risk Profile of Financial Assets

Cash held at bank is invested in accordance with the Group's Investment of Cash Policy to manage counterparty risk. During the year interest was earned on cash invested in the following forms of investments:

- Interest bearing current and deposit accounts with interest earned which varies according to market rates;
- Money market term deposits with interest earned linked to money market rates;
- 'AAA' rated money market funds with a changing daily yield based on the underlying investments.

In total, the Group provided cash collateral of £nil (2014: £nil) as at the year end.

21. Financial Instruments (continued)

Maturity Profile of Financial Instruments

The maturity profile of the carrying amount of the Group's financial liabilities at 26 September 2015 and 27 September 2014 was as follows:

	Debt 2015 £m	Other Financial Liabilities 2015 £m	Total 2015 £m	Debt 2014 £m	Other Financial Liabilities 2014 £m	Total 2014 £m
Amounts falling due:						
In one year or less, or on demand	-	11.6	11.6	305.1	13.8	318.9
In more than one year but not more than two years	-	4.9	4.9	-	3.2	3.2
In more than two years but not more than five years	1,301.9	7.2	1,309.1	1,301.9	12.0	1,313.9
In more than five years	945.1	9.5	954.6	821.7	15.2	836.9
	2,247.0	33.2	2,280.2	2,428.7	44.2	2,472.9
Finance charges allocated to future periods	-	(4.3)	(4.3)	-	(2.4)	(2.4)
Total financial liabilities	2,247.0	28.9	2,275.9	2,428.7	41.8	2,470.5
Unamortised issue costs and discount	(18.5)	-	(18.5)	(24.9)	-	(24.9)
	2,228.5	28.9	2,257.4	2,403.8	41.8	2,445.6

The Group maintains additional loan facilities to mitigate any liquidity risk it may face. The Group has £64.5 million undrawn borrowing facilities available at 26 September 2015 (2014: £64.9 million). This revolving credit facility incurs commitment fees at 1.5% (2014: 1.5%). The revolving credit facility is available until 27 May 2017.

Fair Value of Financial Instruments

	Book Value 2015 £m	Fair Value 2015 £m	Book Value 2014 £m	Fair Value 2014 £m
Derivative financial instruments held to manage interest rate exposure:				
Interest rate caps	0.2	-	0.9	0.1
Interest rate swaptions	0.3	-	-	-
	0.5	-	0.9	0.1

The Group has interest rate caps with a strike rate of 1.25% which mature in September 2016. The interest rate caps cover £250.0 million (2014: £400.0 million) of floating rate borrowings as at the year end. The remaining premia held on the interest rate caps of £0.2 million will be amortised during 2016.

21. Financial Instruments (continued)

In addition the Group purchased cash settled interest rate swaptions at a strike rate of 2% covering £150.0 million of floating rate borrowings for the financial year ending in September 2017.

During the year the Group entered into three interest rate swaps maturing in August 2015 to pay an average fixed rate of 0.54% on £711.9 million of floating rate borrowings.

22. Obligations Under Leases

Annual commitments under non-cancellable operating leases are as follows:

Group

	Land and Buildings 2015 £m	Other 2015 £m	Land and Buildings 2014 £m	Other 2014 £m
Operating leases which expire:				
within one year	2.0	0.4	1.9	0.3
between two and five years	14.5	1.6	11.2	1.7
over five years	60.9	-	43.4	-
	77.4	**2.0**	**56.5**	**2.0**

There are no operating leases in the Company (2014: none).

Operating lease commitments include £36.4 million (2014: £19.1 million) relating to discontinued or discontinuing operations.

23. Provisions for Liabilities and Charges

Group

	Onerous Contract Provisions £m	Linewebber VAT claim £m	Total £m
At 27 September 2014	35.0	4.4	39.4
Arising during the year	5.1	-	5.1
Utilised	(10.8)	-	(10.8)
Released	(8.1)	-	(8.1)
Unwinding of discount	0.8	-	0.8
At 26 September 2015	**22.0**	**4.4**	**26.4**

Onerous contract provisions include vacant, partly sub-let leasehold properties, onerous leases and onerous contracts at the shorter of the remaining period of the lease, which at 26 September 2015 is an average of 10 years (2014: 10 years), or the period until, in the Directors' opinion, the Group will be able to exit the lease/contract. The amount provided is based on the future rental obligations, together with other fixed outgoings, net of any sub lease income. In determining the provision for the properties, the cash flows have been discounted using a risk free rate of return of 2.2% (2014: 2.8%).

The Linewebber VAT provision relates to potential amounts owed to HMRC following the Supreme Court ruling in favour of HMRC, on fiscal neutrality of VAT on gaming machines. The timing of any settlement is outwith the control of the Group.

23. Provisions for Liabilities and Charges (continued)

Deferred Taxation

Group

Movements in the net deferred tax asset during the year were as follows:

	2015 £m	2014 £m
Brought forward	3.1	0.4
Movement through the profit and loss account	(1.5)	2.7
Carried forward	**1.6**	**3.1**

Deferred taxation in the Financial Statements consists of:

	2015 £m	2014 £m
Depreciation in advance of capital allowances	12.9	20.1
Other timing differences	0.4	0.7
Losses	152.3	138.1
Deferred tax asset not recognised in the financial statements (note 10d)	(164.0)	(155.8)
Net deferred tax asset recognised	1.6	3.1
Deferred tax asset shown in debtors (note 16)	1.6	3.1
Deferred tax liability recognised against pension asset (note 28)	-	-
Net deferred tax asset	**1.6**	**3.1**

A deferred tax asset is recognised to the extent that the asset is forecast to be utilised within the foreseeable future. The applicable tax rates used are the rates enacted at the balance sheet date.

The above deferred tax asset in respect of losses includes £69.5 million (2014: £70.5 million) in respect of capital losses.

24. Called Up Share Capital

Group and Company

	Number (000)	Ordinary shares of 1p each £m
As at 26 September 2015 and at 27 September 2014	**21,326,531**	**213.3**

25. Reserves

Group

	Revaluation Reserve £m	Capital Contribution Reserve £m	Merger Reserve £m	Profit and Loss Account £m	Total £m
At 27 September 2014	8.0	1,723.5	1.6	(2,149.6)	(416.5)
Loss for the financial year	-	-	-	(111.1)	(111.1)
Actuarial loss on pension scheme	-	-	-	(2.9)	(2.9)
Tax relating to pension scheme	-	-	-	0.6	0.6
Net foreign exchange adjustments offset in reserves	-	-	-	(1.5)	(1.5)
FRS 20 'Share Based Payment' charge (note 7)	-	-	-	1.4	1.4
Transfer between reserves	(8.0)	-	-	8.0	-
At 26 September 2015	**-**	**1,723.5**	**1.6**	**(2,255.1)**	**(530.0)**

The transfer between the revaluation reserve and profit and loss account reflects the revaluation that was held against an investment property which was disposed of during the year (see note 13).

Company

	Profit and Loss Account £m
At 27 September 2014	77.4
Profit for the financial year	0.8
FRS 20 'Share Based Payment' charge (note 7)	1.4
At 26 September 2015	**79.6**

26. Notes to the Group Cash Flow Statement

a) Reconciliation of Operating (Loss)/Profit to Net Cash Inflow from Operating Activities

	2015 £m	2014 £m
Operating (loss)/profit	(28.2)	43.6
Depreciation, amortisation, impairment and write downs	270.5	204.8
Increase in debtors	(1.0)	(0.9)
Decrease in stocks	0.4	2.0
Increase in creditors	13.7	19.0
Decrease in provisions	(13.8)	(70.5)
Pension contributions in excess of profit & loss charge	(2.8)	(2.8)
FRS 20 'Share Based Payment' charge	1.4	9.9
Net cash inflow from operating activities	**240.2**	**205.1**

26. Notes to the Group Cash Flow Statement (continued)

b) Analysis of Net Debt

	At 27 September 2014 £m	Cash Flow £m	Other Non-cash Movements £m	At 26 September 2015 £m
Cash at bank and in hand	224.6	23.3	-	247.9
Debt due within one year	(305.1)	236.5	68.6	-
Debt due after one year	(2,098.7)	-	(129.8)	(2,228.5)
Total debt	(2,403.8)	236.5	(61.2)	(2,228.5)
Net debt	**(2,179.2)**	**259.8**	**(61.2)**	**(1,980.6)**

During the year all the remaining properties in 2005 Propco Three Limited were sold with the proceeds and other excess cash used to repay £236.5 million of the loan, with the remaining balance of £68.6 million being derecognised following the company entering Creditors Voluntary Liquidation. Debt due within one year as at 27 September 2014 related to the 2005 Propco Three Limited loan.

Other non-cash movements of £129.8 million comprise amortisation and write off of debt issue costs and senior notes discount of £6.4 million and accrued interest on the GCGL loan notes of £123.4 million.

Cash at bank and in hand as at 26 September 2015 includes the 2005 Propco Three Limited balance of £nil (2014: £10.6 million) and a cash in hand balance of £12.0 million (2014: £11.2 million). No cash is provided as collateral in any of the years reported. Within cash at bank are amounts of £16.5 million (2014: £nil) which are held in trust in respect of customer deposits.

c) Cash Flows relating to Exceptional Items (note 7)

	2015 £m	2014 £m
Included within operating cash flow:		
Other restructuring and VAT	(25.0)	(73.0)
	(25.0)	(73.0)
Net disposal proceeds of tangible fixed assets	206.0	24.6
Net disposal proceeds on sale of subsidiary undertakings	-	23.0
Cash disposed with subsidiary undertakings	-	(2.0)
Exceptional interest received (note 7)	4.0	32.5
Exceptional interest paid (note 7)	-	(7.3)
Net cash inflow	**185.0**	**(2.2)**

Net sales proceeds on the sale of tangible fixed assets includes £206.0 million (2014: £23.2 million) received in relation to properties disposed of by 2005 Propco Three Limited.

In addition to the above, the Group made a pension contribution of £2.8 million (2014: £2.4 million) during the year as part of the agreed deficit funding arrangement.

During the year ended 27 September 2014, included in other restructuring and VAT is a £54.5 million VAT payment which was made following the UK Court of Appeal's ruling in favour of HMRC, on the fiscal neutrality of VAT of gaming machines, which was upheld by the Supreme Court in July 2015.

27. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £6.9 million (2014: £5.6 million) for the Group and £nil (2013: £nil) for the Company.

28. Pension Commitments

Defined Contribution Pension Scheme

During 2013, the Group closed its defined contribution pension scheme and transferred all its participants into personal pension plans. The pension cost charge for the year represents contributions paid by the Group into the current personal pension plans and the old Group defined contribution scheme and amounted to £5.3 million (2014: £5.9 million). A liability of £0.4 million (2014: £0.5 million) existed in respect of pension contributions at 26 September 2015.

Defined Benefit Pension Scheme

The Group operates the Gala Coral Pension Plan, a fully funded defined benefit pension scheme. On 28 September 2013 the scheme was closed to future accrual and all participants were transferred to personal pension plans.

The pension payable to an individual is based on their average earnings calculated over the period of pensionable service (career average revalued earnings or CARE).

A full actuarial valuation of the Gala Coral Pension Plan was undertaken at 5 April 2014.

An actuarial review of the scheme valuation was carried out by a qualified independent actuary as at 26 September 2015, in order to provide the following information required by FRS 17 amended “Retirement Benefits”. The major assumptions used by the actuary were:

	2015	2014	2013
Rate of pension increases	3.2%	3.3%	3.4%
Discount rate	4.0%	4.1%	4.5%
CPI inflation assumption	2.3%	2.4%	2.5%
RPI inflation assumption	3.2%	3.3%	3.4%

Mortality Assumptions

	2015 Years	2014 Years
Longevity at age 65 for current pensioners:		
– Men	22.2	22.5
– Women	23.9	24.0
Longevity at age 65 for future pensioners:		
– Men	24.4	24.6
– Women	25.8	26.0

28. Pension Commitments (continued)

Assets and Liabilities of the Scheme

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Total fair value of assets	376.9	350.2	326.6	307.3	283.6
Present value of scheme liabilities	(323.2)	(321.7)	(301.6)	(267.6)	(238.6)
Surplus in the scheme	53.7	28.5	25.0	39.7	45.0
Restriction of pension asset	(53.7)	(28.5)	(25.0)	-	(1.9)
Related deferred tax liability (note 23)	-	-	-	(9.1)	(10.8)
Net pension asset	-	-	-	30.6	32.3

The pension asset has been restricted following the closure of the scheme as the asset cannot be recovered through a reduction in future contributions.

Expected Rate of Return

	Expected Rate of Return %	Value 2015 £m	Expected Rate of Return %	Value 2014 £m	Expected Rate of Return %	Value 2013 £m
Equities	5.8%	40.3	6.3%	41.3	5.9%	44.1
Hedge funds	5.8%	26.8	6.3%	24.9	5.9%	23.2
Bonds	3.7%	113.8	3.9%	85.1	3.6%	79.7
Gilts	2.5%	194.9	3.0%	196.5	2.6%	175.0
Other (cash)	1.5%	1.1	1.5%	2.4	1.3%	4.6
Total value		376.9		350.2		326.6

Reconciliation of the Present Value of Scheme Liabilities

	2015 £m	2014 £m
Present value of scheme liabilities at the beginning of the year	321.7	301.6
Current service cost	0.1	0.1
Interest cost	12.9	13.2
Benefits paid	(11.9)	(15.7)
Employee contributions	-	0.1
Actuarial loss	0.4	22.4
Present value of scheme liabilities at the end of the year	323.2	321.7

28. Pension Commitments (continued)

Reconciliation of the Fair Value of Scheme Assets

	2015 £m	2014 £m
Fair value of scheme assets at the beginning of the year	350.2	326.6
Expected return on scheme assets	13.0	13.3
Actuarial gain	22.7	23.1
Benefits paid	(11.9)	(15.7)
Employer contributions	2.9	2.8
Employee contributions	-	0.1
Fair value of scheme assets at the end of the year	**376.9**	**350.2**

Analysis of the Amount Charged to Operating Profit

	2015 £m	2014 £m
Current service cost	**0.1**	**0.1**

Analysis of the Amount Credited/(Charged) to Other Finance Costs

	2015 £m	2014 £m
Expected return on pension scheme assets	13.0	13.3
Interest on pension liabilities	(12.9)	(13.2)
Other finance costs	**0.1**	**0.1**

Amounts transferred to Statement of Recognised Gains and Losses

	2015 £m	2014 £m
Actuarial gain	(22.3)	(0.7)
Restriction of pension asset – current year	53.7	28.5
Restriction of pension asset – reversal of prior year	(28.5)	(25.0)
Net losses transferred to Statement of Recognised Gains and Losses	**2.9**	**2.8**

The cumulative actuarial loss recognised in the Group statement of total recognised gains and losses ("STRGL") is £41.6 million (2014: £38.7 million).

The actual return on plan assets was £35.7 million (2014: £36.4 million). To develop the assumption for the expected rate of return on assets, the Group considered the current level of expected return on risk free investments, the historical level of the risk premium associated with the other asset classes in the portfolio and expectations for future returns of each asset class. A weighted average rate of return on assets was calculated. This resulted in the selection of a 3.40% assumption for 2015 (2014: 3.75%).

28. Pension Commitments (continued)

Movement in Surplus during the Year

	2015 £m	2014 £m
Surplus in scheme at the beginning of the year	28.5	25.0
Current service cost	(0.1)	(0.1)
Contributions	2.9	2.8
Other finance costs	0.1	0.1
Actuarial gain	22.3	0.7
Surplus at the end of the year	**53.7**	**28.5**

Amounts for Current Year and Previous Four Years

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Experience adjustments on plan assets:					
Amount	22.7	23.1	10.9	14.1	12.1
Experience adjustments on plan liabilities:					
Amount	0.1	(5.3)	0.5	2.2	0.3
Total actuarial gains and losses recognised in the STRGL:					
Amount	(2.9)	(2.8)	(38.7)	(4.1)	31.3

29. Share Based Payments

The Group operates a Management Incentive Scheme for certain management. The share scheme was implemented by Gala Coral Group Limited's ultimate parent undertaking, GCG Manager S.A Luxco S.C.A, with shares in the parent being allocated to management. The shares were purchased by management at their fair value. A proportion of the shares issued vested immediately with additional shares vesting over a period of up to five years.

The realisation of the value attributed to the management shares only occurs on an exit event. Despite the fact that the shares awarded to management are shares of the ultimate parent company, GCG Manager S.A Luxco S.C.A, a charge has been recognised in the Gala Coral Group Limited consolidated financial statements as prescribed by the guidelines of FRS 20 "Share Based Payments". The charge recorded in the year (excluding legal fees), of £1.4 million (2014: £9.9 million) represents an accounting recharge only rather than a commitment on the UK Group to pay cash. On exit and realisation of value of the UK Group, the cash cost associated with this share scheme will be incurred by the ultimate parent company, not Gala Coral Group Limited or any of its UK subsidiaries.

During the prior year certain amendments, primarily to lower the threshold at which management participate, were made to the shares previously issued to management. Previously issued B shares were converted into I shares and C to H shares were converted into J shares. In addition to these amendments additional J shares were issued to certain management, these are identified as J (2014) shares in the disclosures that follow. The amendments to the scheme, and the newly issued J shares, were valued using a Monte Carlo valuation model as permitted by FRS 20.

	Class of share		
	I	J	J (2014)
Number of shares issued	1,264,471	25,724,105	1,482,812
Vesting period (yrs)	0 - 5	0 - 5	0 - 5
Expected volatility	96%	96%	54%

29. Share Based Payments (continued)

The valuation of the scheme for FRS 20 was undertaken using an expected volatility based on the historical volatility, over a 5 year period, of similar listed companies with appropriate adjustments made for the level of gearing within the Gala Coral Group. Dividend yields were assumed at 0% for all awards and the risk free rate at 0.92%.

Grant date	2015	2014
Number of shares in issue at start of year	28,831,400	28,056,770
Granted	520,932	2,764,122
Forfeited	(880,944)	(1,989,492)
Number of shares in issue at end of year	**28,471,388**	**28,831,400**

The shares issued are unlisted. The fair value of the shares issued during the year was 82p per share.

30. Related Parties

Since 28 September 2013 Anchorage Capital Partners, a shareholder in Gala Coral Group Limited, acquired the significant majority of the 2005 Propco Three Limited term loan and interest was charged on this as set out in note 9.

During the year the Group incurred £0.8 million (2014: £1.6 million) of rental costs on various Bingo and Coral properties with Capita Symonds, a related party by virtue of a shared director. These rentals were at market value. The balance outstanding as at the year end was £0.4 million (2014: £1.2 million).

The Company has taken advantage of the exemption under FRS 8 “Related party disclosures” not to disclose related party transactions with companies which are wholly owned subsidiaries.

During the prior year the Group loaned a total of £0.4 million in aggregate to four of its directors. These loans are repayable in full on 19 September 2029 and do not accrue interest.

During 2012 the Group loaned £0.4 million to one of the directors. The loan is repayable in full on 14 December 2026 and does not accrue interest.

Certain early repayment clauses exist within the loan agreements which provide for both immediate repayment on an exit event and early repayment subject to annual bonus arrangements. The total outstanding balance on all of these loans as at 26 September 2015 was £0.5 million (2014: £0.7 million).

The Group also made payments to related parties (by virtue of common directors) of £0.4 million (2014: £0.5 million) to the Association of British Bookmakers and £1.4 million (2014: £1.5 million) to the Greyhound Board of Great Britain.

31. Post Balance Sheet Events

Post the year end the Group announced that it had exchanged contracts for the sale of its Gala Retail Business. Proceeds from the sale are expected to be repaid against the Group’s external debt. Management have not yet calculated the profit/loss on the transaction.

Post year end the Group repaid £100.0 million on the Senior notes.

On 24 November 2015, at a General Meeting, the shareholders of Ladbrokes plc voted in favour of the proposed merger with the Coral Group.

32. Ultimate Controlling Party

As at 26 September 2015, the Company’s immediate parent company and the ultimate parent company of the Group was GCG Manager S.A Luxco S.C.A (a “societe en commandite par actions” established under the laws of Luxembourg), with registered office at 7, Val Sainte Croix, L-1371 Luxembourg. The largest and smallest group for which group financial statements are drawn up is that of Gala Coral Group Limited.